



# The Corporation of the Town of Milton

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Report To: Council

From: Tony D'Alessandro, Director, Transit Services  
Glen Cowan, Chief Financial Officer / Treasurer

Date: March 16, 2026

Report No: CORS-006-26

Subject: Milton Transit Service Delivery Contract Update

**Recommendation:** THAT Council approve a contract extension to Keolis - PWTransit Canada for a period of three (3) years, plus three (3), one-year options effective July 1, 2027 under the existing terms and conditions, and subject to inflationary and growth-related changes to the costing framework;

AND that the Manger, Purchasing and Risk Management be authorized to execute the contract(s) and the Mayor and Town Clerk be authorized to sign any required paperwork.

## EXECUTIVE SUMMARY

- The Town has retained a dedicated third-party transit service provider since 2010 under a contract that has evolved to include conventional, specialized and alternative service delivery programs. Keolis - PWTransit Canada (formerly Diversified Transportation) has leveraged corporate business lines and local vendor relationships to secure staffing, bus storage and competitively priced goods and services.
- Prior to the expiry of the current agreement, staff exercised the one-year extension option with Keolis - PWTransit Canada, extending the contract term to June 30, 2027 (COMS-003-22). This extension ensures service continuity while staff undertook a comprehensive review of longer-term contracted service delivery options and associated considerations. As part of this review, a number of key factors were assessed, including:
  - Market conditions and service value/competitiveness
  - Transit Maintenance Facility lease arrangement and development update
  - Administrative and work plan impacts

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## EXECUTIVE SUMMARY

- Strategic regional considerations
- Over the last three (3) years, transit contract rates<sup>1</sup> have been reasonable and in line with the following comparables:
  - Contracted-service operations in the Greater Golden Horseshoe (GGH)
  - In-house-service operations in Halton Region
  - Overall service operations within peer Population Group (50,000-150,000)
- The development of a Town-owned Transit Maintenance Facility is anticipated to enhance future market competition and improve the attractiveness of a competitive procurement process. In the interim, the absence of an available municipal facility remains a significant market constraint. PWTransit currently leases and operates from a retrofitted facility at 420 Morobel Drive to support transit service delivery, and has been able to secure additional storage space to support vehicle/service growth.
- The Transit Maintenance Facility project is a strategic corporate initiative currently underway. The Town has successfully secured funding for this project through the Investing in Canada Infrastructure Program (ICIP) - Public Transit Stream, with a substantial completion requirement of October 31, 2033.
- Dedicated staff resources at current levels have limited capacity to undertake a full competitive procurement process without extended timelines and significant reprioritization of approved work plans. Staff further note that initiating a procurement process at this time would offer limited economic benefit.
- The current contracted service delivery model does not preclude or constrain potential future evolution toward a regional transit system or governance model, consistent with approaches observed in other GGH municipalities.
- Based on the findings of this report, staff recommend executing a three-year contract extension with Keolis - PWTransit Canada, effective July 1, 2027, with three (3) additional one-year options. This approach would align the contract terms with the anticipated

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<sup>1</sup> Transit contract rates represented by the key performance indicator (KPI): Total Operating Expenses per Total Vehicle Service Hours Delivered.

## EXECUTIVE SUMMARY

substantial completion requirement of the Transit Maintenance Facility under the ICIP Program.

- Excluding the impact of growth, the proposed contract extension represents an average annual cost increase of approximately 2.94%.
- Contract cost projections reflect adjustments to fixed support services and variable cost rates, as well as projected facility rents, maintenance, and fuel costs, which are subject to actual flow-through pricing.
- The completion of the Transit Maintenance Facility establishes a clear pathway for the Town to undertake a competitive procurement process for future transit service delivery.

## REPORT

### Background

Since 2010, the Town has retained a dedicated, third-party service provider for the delivery of transit services. Guided by recommendations from the 2009-2013 Strategic Plan for Transit Services (COMS-007-09, COMS-033-09), subsequent operational plan (COMS-048-09), Request for Proposal (RFP) process and proposal award (CORS-007-10), the Town executed an initial six (6) year service contract with Diversified Transportation Ltd. - PWTransit Canada<sup>2</sup> (herein referred to as “PWTransit”). The contract with PWTransit is comprised of several service delivery functions, including but not limited to:

- Establishing a transit maintenance and storage facility located in Milton, ON
- Providing service operations and on-street supervision
- Storing, maintaining and servicing Town-owned transit fleet, support-vehicles
- Maintaining supplementary Town-owned assets including, but not limited to:
  - Mobile and portable communications equipment; security cameras
  - Farebox and Intelligent Transportation Systems (ITS)
  - OnDemand booking and scheduling systems
  - Mechanical lift equipment
- Managing vehicle and component warranty; inventory;
- Providing fleet and garage insurance;

<sup>2</sup> Acquired by Keolis Group in 2024.

## Background

- Implementing a customer service headquarters with phone support;
- Facilitating/coordinating mid-life bus refurbishments and major component repairs;
- 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 regulatory/legislative requirements.

In 2016, 2018, 2019 and 2022, Council approved contract extensions with PWTransit under a restructured operating model to adapt to an evolving service delivery environment and planned growth (ENG-021-16, CORS-042-18, Res. 049-18, CORS-055-19, COMS-003-22). Terms and conditions established in the extensions provided more flexibility and financial transparency of programs. For instance, flow-through cost arrangements have been established for fuel consumed by, and maintenance completed on, Town-owned buses (e.g. diesel, gasoline quantities; mechanical parts and labour). Contract scope also included the introduction of dedicated specialized (paratransit) services as well as on-demand services, leveraging a Town-procured scheduling platform (CORS-058-20). The current contract term extends to June 30, 2027.

The purpose of this report is to provide Council with an overview of the current transit service delivery contract, an evaluation of contract value and competitiveness, and a recommended approach for the delivery of transit service post-June 30, 2027. The recommendation is informed by current market conditions, the service delivery landscape, and the planned development of a Town-owned Transit Maintenance Facility. Additionally, the report includes a status update on the Transit Maintenance Facility capital project and outlines how its progression informs considerations related to a proposed service contract extension with PWTransit.

## Discussion

Over the past several months, staff have evaluated transit service delivery options and considerations beyond the current contract term. Five (5) key factors were assessed, including:

1. Market Conditions and Service Value/Competitiveness
2. Transit Maintenance Facility Lease Arrangement and Development Update
3. Administrative and Work Plan Impacts
4. Strategic Regional Considerations

## Discussion

These factors are further discussed in the sections that follow.

### 1. Market Conditions and Service Value/Competitiveness

A contracted transit service delivery model can provide several benefits. A review of transit industry literature identifies the following most commonly cited advantages<sup>3</sup>:

- Improved cost-efficiency and enhanced service oversight
- Ability to leverage private-sector expertise/resources to initiate or expand service
- Greater collaboration and flexibility to adjust service levels, delivery methods and schedules in response to demand
- Reduced exposure to direct labour relations and associated risks

Over the last several years, the Town has been able to realize these benefits through the continued contractual relationship with PWTransit. With multi-modal experience, PWTransit has been able to leverage corporate business lines and cultivate local vendor relationships to secure staffing, leased bus storage/facility space and competitively priced goods and services.

In 2025, Milton Transit delivered over 83,500<sup>4</sup> conventional service hours using a mixed fleet of 40 Town-owned buses. A review of the Canadian marketplace reveals that there are approximately 5-6 established third-party service providers with the capacity and experience to deliver transit services comparable to the scale and complexity of the current Milton Transit contract and associated rolling stock. While the size of the service, together with projected growth, is expected to cultivate market interest in a competitive procurement, the absence of a dedicated transit facility in Milton remains a material constraint. This limitation diminishes the attractiveness of a contract by increasing operational risk and complexity for proponents, including challenges related to securing suitable facility space. Alternatively, in the absence of a Town-owned facility, the Town may be required to assume increased operational and financial risk through a longer-term contract structure in order to offset the capital investment that would be required from a proponent.

While most Ontario transit systems are delivered through in-house operations, a limited number of contractor-operated agencies within the Greater Golden Horseshoe (GGH) exist and can provide a general benchmark for evaluating service value within the context of a contracted service delivery model. Reviewing these comparables may validate if incurred

<sup>3</sup> National Centre for Transit Research (2013). *Analysis of Transit Contracting Models and Proper Incentives for Long Term Success*. University of South Florida.

<sup>4</sup> Includes OnDemand service hours; excludes specialized (paratransit) service hours



**Discussion**

costs from the PWTransit contract are fiscally reasonable, competitive and aligned with prevailing market conditions.

Table 1 presents conventional service contract rates—defined as *Total Operating Expenses Per Vehicle Service Hour*—for two (2) contractor-operated transit agencies in the Greater Golden Horseshoe(GGH): Barrie Transit (City of Barrie) and York Region Transit (Regional Municipality of York) from 2022 to 2024<sup>5</sup>. Data sourced from the Canadian Urban Transit Association (CUTA) Fact Book has been standardized (where possible) to ensure comparability by isolating direct operating costs associated with service delivery, mainly:

- Included costs: fuel; maintenance; facility-related expenses
- Excluded costs: administrative overhead/functions delivered by host jurisdiction; lifecycle costs

This standardized approach ensures that observed differences in service rates reflect operational performance and contract value, rather than variations in governance or accounting allocation practices.

**Table 1. Service Contract Rate Comparables - GGH**

Milton Transit	2022	2023	2024	Avg Rate
Vehicle Service Hours	47,837	58,256	69,230	
Total Direct Operating Expenses	\$ 4,778,466	\$ 5,796,387	\$ 6,986,355	
<b>Operating Expenses per Service Hour</b>	<b>\$ 99.89</b>	<b>\$ 99.50</b>	<b>\$ 100.92</b>	<b>\$ 100.10</b>

Barrie Transit	2022	2023	2024	Avg Rate
Vehicle Service Hours	164,308	207,168	197,891	
Total Direct Operating Expenses	\$ 19,528,337	\$ 19,915,599	\$ 20,138,770	
<b>Operating Expenses per Service Hour</b>	<b>\$ 118.85</b>	<b>\$ 96.13</b>	<b>\$ 101.77</b>	<b>\$ 105.58</b>

York Region Transit	2022	2023	2024	Avg Rate
Vehicle Service Hours	1,236,748	1,314,261	1,445,585	
Total Direct Operating Expenses	\$ 178,346,832	\$ 191,667,192	\$ 212,833,465	
<b>Operating Expenses per Service Hour</b>	<b>\$ 144.21</b>	<b>\$ 145.84</b>	<b>\$ 147.23</b>	<b>\$ 145.76</b>

Milton Transit contracted rates, as a function of total operating expenses per annual vehicle hours delivered, are in line and below the average rate of the two (2) GGH contracted-service

<sup>5</sup> Source: 2022, 2023, 2024 Canadian Urban Transit Association (CUTA) Fact Book (conventional services). For comparison purposes, data excludes administrative overhead/functions borne by the municipality.



**Discussion**

comparables over the last three (3) years, at an average rate of \$100.10 per service hour. Year-over-year rate fluctuations can be attributed to fuel and carbon pricing variability, post-COVID-19 service response/recovery in 2022, and other internal/external accounting specific to individual agencies.

From a contextual perspective, staff also reviewed financial comparables with Halton Region agencies Oakville Transit (Town of Oakville) and Burlington Transit (City of Burlington)—who both deliver transit services in-house—as well as transit agencies within the Canadian Population Group (50,000 - 150,000 population). As illustrated in Table 2, total operating costs per delivered service hour for Milton remains on par with Halton peers and below the average for the Population Group, nation-wide.

**Table 2. Service Contract Rate Comparables - Halton Region Agencies and Canadian Population Group Agencies (50,000-150,000 population)**

<b>Oakville Transit</b>	<b>2022</b>	<b>2023</b>	<b>2024*</b>	<b>Avg Rate</b>
Vehicle Service Hours	209,474	261,095	239,654	
Total Direct Operating Expenses	\$ 25,466,322	\$ 28,451,423	\$ 38,754,171	
<b>Operating Expenses per Service Hour</b>	<b>\$ 121.57</b>	<b>\$ 108.97</b>	<b>\$ 161.71</b>	<b>\$ 130.75</b>

<b>Burlington Transit</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Avg Rate</b>
Vehicle Service Hours	202,543	215,499	214,424	
Total Direct Operating Expenses	\$ 19,393,459	\$ 22,895,530	\$ 22,691,268	
<b>Operating Expenses per Service Hour</b>	<b>\$ 95.75</b>	<b>\$ 106.24</b>	<b>\$ 105.82</b>	<b>\$ 102.61</b>

<b>Population Group (50,000 - 150,000)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Avg Rate</b>
Vehicle Service Hours	2,382,969	2,661,748	2,784,925	
Total Direct Operating Expenses	\$ 291,534,525	\$ 335,793,463	\$ 348,142,831	
<b>Operating Expenses per Service Hour</b>	<b>\$ 122.34</b>	<b>\$ 126.16</b>	<b>\$ 125.01</b>	<b>\$ 124.50</b>

\*Note: in 2024, Oakville began reporting interdepartmental expenses and transfers as direct operating expenses.

In summary, historical and current contract rates with PWTransit seem to represent a practical value proposition relative to GGH contractor-run transit systems as well as Halton peer agencies and the Canadian Population Group agencies (50,000-150,000 population). When considered alongside comparable service levels, labour arrangements, and operating cost drivers, rates incurred by Milton appear to be competitive and reflect market-aligned

## Discussion

pricing for contracted transit operations. Overall, the analysis suggests that the Town is achieving reasonable value within the current contract.

### **2. Transit Maintenance Facility Lease Arrangement and Development Update**

A fully functional, transit maintenance facility (also known as a transit garage, transit operations facility or transit depot) is essential to the efficient and effective delivery of services by way of providing a safe and secure environment to maintain public-facing assets. The initial service delivery contract with PWTransit in 2010 included a requirement to secure a transit facility in Milton to store and maintain Town-owned fleet, provide customer service, administration, dispatching and operator facilities. PWTransit currently leases a retrofitted facility at 420 Morobel Drive, Milton ON, to meet these operational requirements. Despite site layout limitations (e.g. tight vehicle circulation/maneuverability, no drive through service lane, etc.), PWTransit has managed to meet service objectives and deliver transit services throughout the contract term and associated extensions.

In recent years, service has expanded to support development growth, population and employment growth, increased ridership demand, and enhanced service levels. These improvements have been accompanied by an increase in fleet size, additional peak-period buses, and broader support functions such as maintenance, operations (including supplementary operator parking), and supervisory staff. As a result, the scale of current and forecasted operations can no longer be adequately supported within the existing leased facility arrangement. Options for PWTransit to accommodate additional leased space were included in the 2026 Operating Budget. This measure will provide interim capacity to maintain service reliability and ensure that transit operations can continue to scale, while the longer-term solution for a purpose-built, Transit Maintenance Facility is being realized.

The 2020 and 2022 Capital Budgets approved funding for land acquisition, design, and construction of a Town-owned Transit Maintenance Facility. The Town was also successful in securing funding through the Investing in Canada Infrastructure Program (ICIP) - Public Transit Stream, to an upset allocation of \$7,187,583 in combined Federal and Provincial funding (ENG-028-19). To date, the project has advanced through initial planning activities and is currently in the site development and environmental phase, including due diligence, technical studies and coordination with preliminary internal and external stakeholders. WSP consulting has been retained to conduct these activities in collaboration with staff.

As part of the next phase of work, the legislated Transit and Rail Project Assessment Process (TRPAP) is anticipated to commence in 2026, subject to further regulatory requirements.

## Discussion

This process will inform site design, mitigation measures, indigenous and stakeholder consultation/engagement, and represents a critical milestone in advancing the project toward detailed design and construction readiness. While progress continues to advance, the overall project timeline reflects the complexity of technical site approvals and the long-term horizon associated with delivering a purpose-built, Transit Maintenance Facility. To remain eligible for the ICIP funding contribution, the project must achieve substantial completion by October 31, 2033. The completion of the Transit Maintenance Facility establishes a clear pathway for the Town to undertake a competitive procurement process for future transit service delivery.

### 3. Administrative and Work Plan Impacts

The current service contract with PWTransit is highly integrated, with complex terms and conditions, to ensure the Town's transit objectives are achieved in an efficient and cost-effective manner, while mitigating operational risk. 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 outlined, dedicated staff resources at current levels would have limited workload capacity to undertake a competitive procurement process, and implement contract transition(s), without lengthy timelines and work plan reprioritization. For example, should the Town proceed to consider a competitive bid process for a new service contract post June 30, 2027 (current contract term expiry), associated administrative responsibilities would include, but not be limited to:

- Developing a terms of reference, request for proposals (RFP) and process management, proposal evaluation and award
- 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 maintenance facility limitations and comparable contract rates in the marketplace, staff note that there may be limited economic benefit from initiating a procurement process at this time.

### 4. Strategic Regional Considerations

Regionalization efforts specific to transit operations and governance have yet to materialize in Halton. Nonetheless, strategic investment toward public transit initiatives should continue

## Discussion

to recognize long-term benefits and protect local interests. Similar to the recommendations outlined in ENG-028-19 to pursue ICIP 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.

In addition, staff have investigated the perception that entering into a contract extension would limit efforts for regional coordination of transit services. In fact, a contracted service delivery model as implemented in Milton would not hinder any such process or evolution, as observed in some GTHA 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 further contract extensions) provide additional flexibility for the Town, subject to the terms and conditions permissible for contract termination.

### Contract Negotiation and Recommended Direction

Based on the analysis and considerations outlined in this report, staff have initiated discussions with PWTransit to address key contractual and operational requirements necessary to support the continued delivery and planned expansion of transit services. These discussions focused on ensuring near-term operational stability while aligning longer-term service delivery with future capital infrastructure. Key areas of discussion included:

- The facility lease arrangement at 420 Morobel Drive
- The need for additional leased storage space to support fleet growth
- Service contract options beyond the current expiry date of June 30, 2027

The existing lease arrangement at 420 Morobel Drive between PWTransit and the property owner is currently being renewed, with a new lease term aligned to the proposed duration of a service contract extension. Given the limited availability of suitable transit operations and maintenance facilities within the local area, staff are recommending this approach to maintain service and operational capacity until a Town-owned Transit Maintenance Facility becomes available. In addition, discussions with PWTransit have also addressed the requirement for supplementary leased storage space to accommodate near-term fleet growth and maintain operational flexibility.

To align the service contract with the planned development of a Town-owned Transit Maintenance Facility, staff are proposing a three (3) year contract extension with three (3) optional one (1) year extensions. This approach provides continuity of service delivery while preserving flexibility as future infrastructure projects advance. With optional extension years,

## Discussion

the proposed contract term would align with the anticipated substantial completion date requirement of the ICIP funding program (i.e. substantial completion in 2033). This alignment also mitigates the risk of service disruption, minimizes the potential for interim contractual arrangements, and supports a smooth transition to a Town-owned facility once available. The three (3), one-year option extensions permits additional flexibility should the Transit Maintenance Facility be realized in advance.

The proposed contract extension would continue under the existing pricing framework, which uses a combination of fixed, variable, and flow-through cost components. This structure provides clarity, transparency, and predictability in assessing service delivery costs relative to approved service levels and operational changes.

- **Fixed costs** will be adjusted throughout the extension period to reflect inflationary pressures, informed by key cost drivers and the Consumer Price Index (CPI).
- **Variable costs** will continue to scale with service levels, ensuring costs remain aligned with actual service delivery.
- **Fleet maintenance costs** are identified separately, providing a clear and transparent view of labour and parts costs required to maintain fleet assets in a state of good repair.
- **Fuel and facility lease costs** will remain flow-through expenses, based on prevailing market rates, minimizing financial risk to the Town while ensuring accurate cost recovery.

## Overall Recommendation

The approach to extend the service delivery contract with PWTransit balances operational continuity, financial transparency, and long-term strategic planning. It supports uninterrupted transit service, accommodates near-term growth, aligns with future capital infrastructure delivery, and provides the Town with cost certainty and flexibility as transit needs evolve. All estimated costs associated with the proposed contract extension are outlined in the Financial Impact section of this report.



**Financial Impact**

The proposed contract extension is effective July 1, 2027 and has no direct financial impact in 2026.

The following table summarizes the estimated operating impact of the contract over the term of the extension based on estimated growth projections, which are subject to Council approval through the annual budget process. 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.

		2026	2027	2028	2029	2030 (6 months)
<b>Estimated Service Hours</b>	Conventional	93,957	113,287	129,459	138,475	69,238
	Custom (Specialized/OnDemand)	15,040	16,524	16,524	16,524	8,262
	<b>Total Estimated Service Hours</b>	<b>108,997</b>	<b>129,811</b>	<b>145,983</b>	<b>154,999</b>	<b>77,500</b>
	<b>Annual Estimated Increase in Hours</b>	<b>21%</b>	<b>19%</b>	<b>12%</b>	<b>6%</b>	
<b>Forecasted Contractual Cost</b>	Conventional service rate (1)	\$ 5,262,158	\$ 6,581,945	\$ 7,745,299	\$ 8,507,853	\$ 4,306,444
	Custom (specialized) service rate (1)	760,590	867,646	893,676	918,219	464,777
	Facility (2)	469,927	545,825	562,200	579,066	298,219
	Administration (3)	1,853,430	2,268,219	2,557,870	2,762,242	1,435,129
	Maintenance (2)	1,011,541	1,243,982	1,444,553	1,579,310	806,121
	Insurance (2)	186,630	230,871	267,728	287,277	149,384
	Fuel (2)	1,354,433	1,699,390	1,997,888	2,216,868	1,152,727
	Non Recoverable HST	191,817	236,507	272,258	296,575	151,585
	<b>Total Contractual Costs</b>	<b>\$ 11,090,527</b>	<b>\$ 13,674,385</b>	<b>\$ 15,741,472</b>	<b>\$ 17,147,409</b>	<b>\$ 8,764,387</b>
	<b>Annual Estimated Increase in Costs</b>		<b>23%</b>	<b>15%</b>	<b>9%</b>	
<b>Total Contract Cost per Service Hour</b>	<b>\$ 102</b>	<b>\$ 105</b>	<b>\$ 108</b>	<b>\$ 111</b>	<b>\$ 113</b>	

- (1) Represents variable costs associated with delivery of service hours.
- (2) Represents flow through costs to the Town. Estimated costs provided by PW transit but actuals will fluctuate based on market rates of fuel, actual maintenance required on fleet etc.
- (3) Represents fixed costs associated with service delivery including wash bay, dispatching and supervisory.

The cost of transit service will not necessarily follow a consistent year-over-year change. Besides the impact of growth, there are certain costs such as facility rent that are tied to other contractual obligations of PWTransit as well as requirements for additional dispatch, supervisory and wash bay staff at certain points, reflecting maturity of the service. Excluding the impacts of growth, the contract represents an average increase of approximately 2.94%.

Should this extension be approved by Council, the updated costs and rates that will be effective beginning July 1, 2027 will be utilized in the development of the 2027 Budget.



Respectfully submitted,

Tony D'Alessandro  
Director, Transit Services

Glen Cowan  
Chief Financial Officer / Treasurer

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

#### Attachments

None

Approved by CAO  
Andrew M. Siltala  
Chief Administrative Officer

#### Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.