LTF008-11 Staff Report
Public Private Partnership (P3) Transit Service Delivery
Executive Summary

The following staff report proposes a delivery model that will set the foundation upon which the City of Barrie Transit service will be built. Under this model, the City will engage the private sector in a Public Private Partnership ("P3") to renovate the existing 133 Welham Road facility into a modern Transit Garage as described in the 2011-2014 Capital Plan approved by Council. This is referred to as the Design, Build, Finance ("DBF") component in the report.

Beyond simply renovating the facility, the successful proponent will be responsible for the operation and maintenance of the new facility and the delivery of transit services over the term determined to be most advantageous to the City (Staff are currently considering 10 and 20 year terms). This is referred to as the Operations and Maintenance ("OM") component.

The proposed delivery model combines these two components into what is referred to as the Design, Build, Finance + Operate & Maintain ("DBF+OM") model. The DBF+OM model responds to each of the key objectives set out below with an emphasis on achieving maximum value for money for the City of Barrie.

- **Risk Sharing** – mitigate operational risks (e.g. fluctuating costs) and construction costs
- **Competitive Bid** – obtain best value for money for taxpayer through strategic acquisition
- **Service Expansion** – enable increased capacity to meet growth
- **Protection of Assets** – reduced wear, increased service life
- **Innovation in Funding** – investigate non-traditional funding opportunities to reduce reliance on debt financing
- **Clear Financial & Non-Financial Service Targets** – improved service delivery through a performance-based contract
- **Reduced Environmental Footprint** – lower emissions

Risk Sharing

Most of the risks associated with construction are retained by the City under a traditional build model (e.g. price variation). Indeed most municipalities, including the City of Barrie, have historically relied on this model, in some cases with adverse results.

Under the DBF+OM model, the City will seek to transfer certain risks to the private sector to achieve a fixed price for construction.

From an operations perspective, the City of Barrie currently has one of the most cost efficient transit systems in the province as a result of partnering with the private sector for the operation and maintenance of the City's fleet. The DBF+OM model will ensure the City of Barrie continues to enjoy these benefits over the long term.

Competitive Bid

Currently, there is only one service provider in the area capable of servicing the City's fleet. The DBF+OM model will see the strategic acquisition of a City owned Transit Garage enabling other prospective bidders to come to the table. The City has already received several positive responses to a Request For Information for the DBF+OM model from well known and reputable providers in the Transit industry.

From the competitive bid process, the City will see innovation from the private sector, most notably in the areas of facility design and operating costs. The DBF+OM model will enable the successful proponent to design and build the Transit Garage in a manner that best suits their plan for delivery of the transit service in alignment with the service objectives set by the City. Also of note, achieving a competitive bid process is a requirement if the City is to receive key grant funding (discussed in Innovation in funding section). Without the inclusion of the Transit Garage, the competitive bid objective cannot be achieved.

Service Expansion

The facility currently provided by the City's transit contractor has reached its capacity. In order to meet current and future service demands (e.g. annexed lands, intensification objectives), the City will need to expand its fleet and a larger facility will be necessary. The DBF+OM model will provide a facility that will meet the expansion needs of the City for the foreseeable future.

Protection of Assets

The current facility is only capable of storing 13 buses indoors. With a current fleet of 53 buses representing a $20.5M investment, 75% of the City's fleet is permanently exposed to the elements. This causes a host of problems such as frozen doors and wheelchair lifts, reduced washing frequency and generally a shorter more problematic lifespan for the assets than if they were to be stored indoors.

The DBF+OM model will provide a facility capable of storing 80 buses indoors in its current configuration (can be expanded to 120). This will meet the expansion needs of the City's fleet for the next 20 years ensuring the City's substantial investment in fleet can meet its full lifespan potential at reduced cost.

Innovation in Funding

Council asked that staff search for new and innovative funding sources to assist with the reduction of planned debt financing.

Staff are happy to report that P3 Canada has expressed interest in the capital component (i.e. Transit Garage) of the DBF+OM model. If the City's application is successful, P3 Canada will fund 25% of eligible capital expenditures. The City will see the benefit of a $2.2M (12%) reduction in planned debt financing for this project.

Clear Financial & Non-Financial Service Targets

The implementation of a performance-based contract is viewed as an innovative method of service delivery and a primary reason for P3 Canada's interest in considering the City's application for capital funding.

Such a contract sets clear service standards related to on time performance, vehicle equipment maintenance and safety, staffing training and customer satisfaction.

Financial Overview

The reduction in planned debt financing via P3 Canada Fund Program will reduce the annual operating debt servicing charges by $500,000 as well as reduce the overall interest paid on the project by $900,000.

In 2010 dollars the total expenditures on the Transit service was $12.6M. Had the garage component only been added, the annual estimated cost in 2010 dollars would have been $13.8M, an increase of $1.2M. A new performance-based contract is likely to increase costs, but these can't be quantified at this time.

The "Mayor's Transit Vision" proposal related to changes in the routing system is under review and the subject of a future report. As such any associated cost has not been included in this report.

Reduced Environmental Footprint

The current practice of storing buses outdoors necessitates overnight idling during the winter months. This produces greenhouse gases and noise pollution which adversely impact the environment and quality of life for neighboring residents. In addition, idling wastes a significant amount of fuel and increases the wear on critical and costly bus components.

The Transit Garage provided by the DBF+OM model will eliminate the need for overnight idling. Approximately 192,000kg of CO2 emissions will be eliminated which is the equivalent of taking 40 cars off the road. In addition, annual fuel consumption will be reduced by approximately 80,000 litres yielding annual savings of at least $80,000.

With the relocation of the garage to an industrial area, residents will no longer be subjected to the negative impacts of noise and air pollution associated with this service.

Linkage to 2010-2014 Council Strategic Plan

The P3 delivery model can best be viewed as an "enabler" towards the City taking the significant next step in the evolution of the City's transit system. It will enable private sector innovation to be leveraged to attain an integral system component in the acquisition of the transit operating and maintenance facility, while transferring project risk; the creation of an open, fair and competitive bid process; the implementation of a performance based operating and maintenance contract; the system to meet future growth demands. In summary it contributes to Councils strategies for managing growth, protecting the environment, strengthening Barrie's financial condition, and improving customer service.