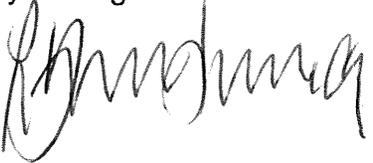




Hamilton

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	December 1, 2017
SUBJECT/REPORT NO:	Operation and Maintenance of the Hamilton Light Rail Transit (LRT) System (PED17185/HUR17024) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Bryan Boodhoo (905) 546-2424 Ext. 7164 Rob Burwash (905) 546-2424 Ext. 2655
SUBMITTED BY:	Paul Johnson Director, LRT Project Coordination Planning and Economic Development Department 
SIGNATURE:	Lora Fontana Executive Director, Human Resources & Organizational Development City Manager's Office 

Council Direction:

The Special General Issues Committee Light Rail Transit (LRT) Report 17-016 on August 9, 2017 identified the following motion, which was ratified by Council on August, 18, 2017:

Keep Hamilton's Light Rail Transit (LRT) Public - Operation and Maintenance of LRT in Hamilton (Item 10.1)

That staff be directed to advise Metrolinx that the forthcoming operating and maintenance agreement between the City of Hamilton and Metrolinx for Light Rail Transit should include the Hamilton Street Railway as the party responsible to operate and maintain the new Light Rail Transit line, and any other future transit expansion, in the city of Hamilton.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Information:

In response to the above motion, the Province and Metrolinx provided a letter on November 24, 2017 from the President and Chief Executive Officer of Metrolinx to the City Manager, which is attached as Appendix "A" to Report PED17185/HUR17024. In the letter Metrolinx and the Province strongly recommend that the Hamilton Light Rail Transit (LRT) project continue to be delivered through a Design-Build-Finance-Operate-Maintain (DBFOM) procurement model. Under a DBFOM model, the successful consortium responsible for building the LRT (Project Co) would also be responsible for the operations and maintenance of the LRT for a 30 year concession period.

The November 24, 2017 letter, however, does permit the City to remove operations from the LRT delivery model. If Council chooses to exclude operations from the LRT delivery model, the LRT project will be delivered through a Design-Build-Finance-Maintain (DBFM) model, and the City would be responsible for all of the operational and commercial obligations of LRT operations, as further set out below.

Under a DBFOM model, there would be no change to the LRT project. A DBFM model, in contrast, would increase the complexity of the project. The key risks and responsibilities associated with a DBFM model are below.

On March 28, 2017, staff prepared an information report on the *Light Rail Transit (LRT) Procurement Model* (PED17030), which sets out some of the key differences between DBFOM and DBFM delivery models. Key differences between the delivery models were summarized in a table appended to that report, and is re-attached hereto with updates to reflect further labour relations analysis, as Appendix "B" to Report PED17185/HUR17024.

Delay Implications

As set out in the November 24, 2017 letter, there could be a four to five month delay for procurement because a new Request for Qualification (RFQ) would need to be tendered to ensure an open and fair procurement process.

Additionally, as the operator, the City would need to interface with Project Co throughout the life of the contract, namely from contract award to the end of the 30 year concession period following construction. There is a risk that these interfaces could cause delays for which the City would be responsible. Any such delays attributed to the City could also have cost implications.

Cost Implications

There would be immediate and ongoing additional costs to the LRT project under a DBFM model, as previously detailed in the March 1, 2017 information report *Light Rail Transit (LRT) Procurement Model (PED17030)*.

Immediately, a team of one to three rail experts would be needed to clearly define the role of the operator in all tender documents, particularly the Project Specific Output Specifications (PSOS). This team could consist of full-time staff, but would more likely, given time constraints and availability of resources, consist of consultants.

During the design and build phases of the project, a team of approximately five people would need to be put in place to ensure that the interests of the City as operator were protected. This team could be full-time employees or consultants. It is estimated that the base staffing costs for this work would be a minimum of \$750,000 per year. Additional costs may be required for consulting fees and other expenses.

Additionally, when the LRT is operational, there could be higher operational costs. As stated in the November 24, 2017 letter, there would be a lack of competitive tensions, compared to a DBFOM model where bidders provide a long-term fixed price for operations. Also, any delays caused by the City as operator through its interfaces with Project Co could have costs.

We understand at the time of the March 1, 2017 information report that these additional costs would not be eligible project costs, and accordingly would not be paid for by Metrolinx or the Province. The November 24, 2017 letter does not change this prior understanding.

Scope of LRT Operations

The November 24, 2017 letter sets out the obligations for which the City would be fully responsible:

- Safe operations of the Light Rail Vehicles (LRVs);
- Regulation and supervision of LRVs through the Operations Control Centre (OCC);
- Staffing obligations;
- Regulation and supervision of LRVs to and from the Operations, Maintenance and Storage Facility (OMSF);
- Critical Safety Systems;
- Fare enforcement;
- Customer information and assistance;
- Security;

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- Support and assistance to Metrolinx and Project Co during design development and delivery stages of the LRT project; and,
- All commercial claims related to the City's role as operator.

As operator, the City would primarily be responsible for the safe and timely driving of LRVs, and could be found liable for any accidents that occurred. The City would also be responsible for supervision of the LRVs through the Operations Control Centre, which would be located at the OMSF, duties would include the establishment of a controlling authority for normal operations, degraded service and emergency operations.

Staffing obligations would include the recruitment, selection, training, certification, ongoing scheduling, supervision, payroll, computer and information technology support and all other duties normally associated with employing a workforce.

Regulation of the LRVs would include supervision of all LRV movements along the mainline as well as movements to and from the OMSF.

Obligations related to the control of critical safety systems include controlling access to the LRT right-of-way during hours of LRV operation.

Fare enforcement includes fare collection, operation of the PRESTO fare system or alternate fare system, and corrective and preventative maintenance of the fare collection system.

Customer information and assistance encompasses customer services of various kinds, including user queries, complaints management, and management of lost and found items.

Security entails responding to security incidents and other emergencies, monitoring passenger assistance intercoms and closed circuit televisions, as well as coordinating responses with emergency services, namely police, fire, paramedics and other services.

Support to Metrolinx and Project Co during the design development and delivery phases, would require immediate and ongoing staffing enhancements, as outlined above, but would be limited to the City's role as operator.

Claims related to the City's role as operator include not only foreseeable claims, such as those associated with accidents and/or the City's role in the design development and delivery phases of the project, but also unforeseeable claims.

Full details of what LRT operations entail would be further refined through negotiations with Metrolinx and formalized in an agreement.

Under a DBFM model, LRT operators would be City of Hamilton employees represented by the Amalgamated Transit Union Local 107 (ATU 107). Union representation of the employees performing the work with the Operations Control Centre, Safety and Security, Customer Services, and Fare Collection is unknown until more details are known about those functions. The work may be covered by the scope of another City bargaining unit or appropriately considered non-union.

Should the procurement of the LRT project proceed through a Design-Build-Finance-Operate-Maintain (DBFOM) model, the employees would be employed by Project Co, and would not be City of Hamilton employees. Therefore any employees of Project Co, that are not already members of a union, would have legislated rights to seek to be represented by a union of their choice.

Exclusion of Maintenance

The November 24, 2017 letter did not provide the option to exclude maintenance from the delivery model. LRT projects in the province have been procured through either DBFOM or DBFM models. In all instances, maintenance has always been the responsibility of Project Co.

Under either DBFOM or DBFM models, the employees involved in maintenance-related functions would be employees of Project Co, and would not be City of Hamilton employees. Therefore any employees of Project Co, that are not already members of a union, would have legislated rights to seek to be represented by a union of their choice.

Next Steps

Council would need to decide on the delivery model for the LRT project (either DBFOM or DBFM) by a Council resolution and inform Metrolinx by January 24, 2018.

If the decision of Council is to assume the operations of the LRT, City staff will provide further information to the General Issues Committee, such as the following:

- a. Further details on impact to schedule;
- b. Planned staffing or consulting plan to address operational issues in the PSOS;
- c. Longer-term plan for building readiness to accept operations responsibility;
- d. Budget impacts, if any;
- e. Longer term staff plan in transit and other departments to facilitate the assumption of operations; and,
- f. Ongoing labour relations analysis of non-operations and maintenance related positions.

By March 2020, the City would need to provide Metrolinx with a detailed plan of how it would assume operations of the LRT. We anticipate that this would entail consultation with a number of City divisions.

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Additionally, by March 2020, the City would need to enter into a formal agreement with Metrolinx, setting out roles and responsibilities of the parties, service and performance standards, commercial responsibilities of the parties and interface requirements amongst the City, Metrolinx and Project Co.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED17185/HUR17024 – Metrolinx Response to Hamilton LRT Operations and Maintenance of November 24, 2017

Appendix "B" to Report PED17185/HUR17024 – DBFOM and DBFM Updated Comparison Chart