

Report to Strategic Priorities and Policy Committee

To: Chair and Members, Strategic Priorities and Policy Committee

From: Kelly Scherr, P. Eng., MBA, FEC
Deputy City Manager, Environment & Infrastructure

Anna Lisa Barbon, CPA, CGA,
Deputy City Manager, Finance Supports

Subject: Investing in Canada Infrastructure Program Public Transit
Stream Funding Reallocation

Date: January 16, 2024

Recommendation

That on the recommendation of the Deputy City Manager, Environment and Infrastructure and Deputy City Manager, Finance Supports, the following actions be taken regarding recent changes to the Investing in Canada Infrastructure Program (ICIP) Public Transit Stream (PTS) as communicated by the Ontario Ministry of Transportation (MTO):

- a) the MTO **BE REQUESTED** to remove Project ICIP-LON-08, Oxford Street / Wharncliffe Road Intersection Improvements from the current program and reallocate the decommitted funding to ICIP-LON-06, the Wellington Gateway project;
- b) the financial impacts associated with recommendation a) above (as summarized in Appendix A) **BE RECEIVED** for information, noting that these impacts are subject to approval of this request by MTO; and,
- c) subject to approval by MTO, Civic Administration **BE AUTHORIZED** to take all actions necessary to implement the capital budget changes outlined in this report;

it being noted that the Mobility Master Plan (MMP) is considering corridor improvements in the area of Oxford Street and Wharncliffe Road and this funding reallocation will support improved infrastructure project integration.

Executive Summary

The Ontario Ministry of Transportation (MTO) has recently communicated time-limited flexibilities to the Investing in Canada Infrastructure Program (ICIP) Public Transit Stream (PTS) in recognition of the ongoing project cost volatility. The changes allow funding for approved projects to be decommitted and applied to other approved projects.

One of the previously approved projects at the Oxford Street and Wharncliffe Road intersection will likely be influenced by pending recommendations from the Mobility Master Plan (MMP) with a potential overlay of other corridor improvements. To ensure effective coordination with future project recommendations from the MMP, avoid potential cost inefficiencies, and make effective use of funding, it is recommended that funding from the Oxford/Wharncliffe Intersection project be reallocated to another approved ICIP project, the Wellington Gateway project, while the long-term plan is developed in the area of the Oxford-Wharncliffe intersection. Some of the ICIP projects including the Wellington Gateway project are facing budgetary challenges associated with inflationary pressures and construction cost volatility. The recommendations from this report will be reflected in the budget subject to subsequent MTO approval.

Linkage to the Corporate Strategic Plan

This report aligns with the strategic areas of focus in the 2023-2027 City of London Strategic Plan. The City's Strategic Plan identifies a Well-Run City and Mobility and Transportation as key areas of focus. This report supports the Strategic Plan by maintaining London's finances in a well-planned manner and coordinating the building of infrastructure that provides integrated and connected transportation choices.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

- Civic Works Committee – June 19, 2012 – London 2030 Transportation Master Plan
- Civic Works Committee – September 7, 2016 – London ON Bikes Cycling Master Plan
- Strategic Priorities and Policy Committee – March 20, 2019 – ICIP Public Transit Stream Transportation Projects List for Consideration
- Strategic Priorities and Policy Committee – October 28, 2019 – ICIP Public Transit Stream Approved Projects
- Civic Works Committee – November 17, 2020 – Active Transportation Infrastructure Plan
- Civic Works Committee – March 30, 2021 – ICIP Public Transit Stream Approval of Transfer Payment Agreement
- Strategic Priorities and Policy Committee – July 27, 2022 – Investing in Canada Infrastructure Program Public Transit Stream (ICIP-PTS) – London Transit Commission Highbury Avenue Facility

2.0 Discussion and Considerations

2.1 Investing in Canada Infrastructure Program

In early 2019, Council directed staff to assemble a list of transportation projects that were eligible for provincial and federal funding under the Public Transit Infrastructure Stream (PTS) of the Investing in Canada Infrastructure Program (ICIP). On March 26, 2019 Council made the final selection for the projects to be submitted for approval under the program. The ten projects submitted to the senior levels of government for consideration as part of this program included;

- 1) East London Link
- 2) Wellington Gateway
- 3) Downtown Loop
- 4) Intelligent Traffic Signals
- 5) Adelaide Underpass Active Transportation Connections
- 6) Expansion Buses
- 7) Bus Stop Amenities
- 8) Dundas Place Thames Valley Parkway Active Transportation Connection
- 9) Dundas Street Old East Village Streetscape Improvements
- 10) Oxford Street/Wharncliffe Road Intersection Improvements

In June 2019, the Province identified more than \$103 million for these projects and, in August 2019, the Government of Canada announced over \$123 million in funding. The City of London contribution was nearly \$80 million. After this process, London had an available total allocation of \$148.6 million in ICIP funding. \$119.3 million of the remaining funding has been associated with the planned North and West corridors of the rapid transit system, however those projects were not submitted to ICIP-PTS. The remaining \$29.3 million was not associated with a specific project.

In July 2020, Council approved reserving the remaining ICIP program allocation until the completion of the Mobility Master Plan (MMP). The north and west rapid transit corridor growth capital projects remained in the City's 10-year capital plan in accordance with the Council approved Transportation Master Plan and Development Charges Background Study, with the expectation those projects would be revised to reflect the MMP at its conclusion.

In January of 2022, Council approved a staff recommendation to submit a suite of active transportation projects that would use the \$29.3 million in unallocated funding to deliver \$40 million in active transportation investments. This was a result of an ICIP change that allowed active transportation projects to be submitted as standalone investments as opposed to a previous requirement that mandated they be integrated into transit improvements.

After the January 2022 decision, Civic Administration intended to use the results of LTC's planning work related to its fleet and facility needs and the Mobility Master Plan to identify capital projects for submission to ICIP PTS in late 2023 to use the remaining \$119.3 million in London's funding allocation. However, the Federal Budget released in Spring 2022 made changes to the schedules for both the submission and completion of projects under the ICIP PTS program. The previous submission deadline of March 28, 2024 was accelerated to March 31, 2023, while the deadline for project completion was extended from October 2027 to October 2033. On July 11, 2022, the Ontario Ministry of Transportation notified municipalities with unspent ICIP-PTS funds that they must provide an indication of their intent to use their remaining funds and a list of projects by the end of July 2022 and that final applications must be made via the Province by November 30, 2022. As a result, it was no longer possible to consider projects arising from the MMP for submission to ICIP-PTS. Civic Administration therefore recommended the remaining allocation be used to advance the LTC Highbury Avenue Facility, which was subsequently approved by Council in August 2022.

In October 2023, the City received correspondence from MTO regarding further changes to the program. In recognition of the ongoing volatility and changing economic conditions in the transit sector, Infrastructure Canada (INFC) and the Ontario Ministry of Transportation (MTO) are permitting recipients with approved projects to decommit funding from existing projects and allocate these funds toward other approved projects. Decommited funds are those that become available due to scope reductions, cost savings or project cancellations and can be put toward scope and financial increases for other approved projects. This change is effective immediately however municipal requests must be submitted to MTO by January 31, 2024.

2.2 Oxford Street and Wharncliffe Road Intersection Improvement Project

This project involves the addition of eastbound and westbound transit queue jump lanes on Oxford Street to increase transit reliability and facilitate better traffic flow at this intersection. Queue jump lanes can improve transit scheduling and reliability in conjunction with traffic signal transit priority. This is an important location for transit and mobility linking to the downtown and was identified as one of ten projects approved under the ICIP Program in 2019. The project timeline identified in March 2019 was 2025 to 2027, as late as possible within the original ICIP program timeframe, to allow time for the potential identification, coordination and integration with other corridor improvements.

2.3 Mobility Master Plan

The development of the Mobility Master Plan (MMP) is underway and is currently in Phase 2 of 3 which involves exploring solutions and making connections. As part of Phase 2, recommendations for strategic transit corridors and other transportation infrastructure projects and programs and the associated investments will be identified. Oxford Street and Wharncliffe Road have been identified as important corridors within the city's transit and mobility network and future improvements involving these corridors are expected to form part of the MMP recommendations. To ensure effective

implementation of future transit and mobility infrastructure in a cost-effective manner, a deferral of the Wharncliffe Road Oxford Street intersection project is recommended until final recommendations from the MMP are available. This will create an opportunity for better integration of future project to be identified through the MMP while avoiding cost inefficiencies.

2.4 ICIP Program Implementation

Implementation of several projects under the ICIP program is well underway and significant portions of the rapid transit initiative in the downtown, east and southern areas of the city are either currently under construction or being advanced through completion of design and pre-construction activities.

Overall, the capital construction program is facing inflationary and other cost pressures as a result of the current economic conditions being encountered across the country.

In light of the ongoing economic conditions, MTO is permitting program recipients to allocate funding between approved projects. This would include removing certain approved projects and putting this funding towards other approved projects that have encountered financial increases.

Over the last three years, global supply chain interruptions, inflationary pressures and labour shortages have impacted many sectors, including municipal construction. As well, the construction industry in London and across Ontario is dealing with new standards, legislative requirements, and market conditions. Factors influencing the Wellington Gateway project and others are as follows:

- **Inflation:** The 2018 Environmental Assessment (EA) cost estimates accounted for inflation using a conventional assumption of 2% to 3%; however, the 5 years since the EA has seen the Statistics Canada Non-Residential Construction Price Index increase by over 38.1%. The index increased by 13.5% over 2022 alone.
- **Supply Chain:** Supply chain interruptions have further driven up the cost of some materials with price increases observed for items such as steel, copper, aluminum, lumber, paper products, electronics, personal protective equipment, plastics, utilities and fuel.
- **Bridge Costs:** Bridge construction projects across the region have seen higher cost of raw materials like steel and concrete, a shortage of skilled workers, and increased competition for construction talent, as well as stringent safety and environmental regulations requiring additional engineering and construction measures. The Wellington Gateway project includes Clark's Bridge on Wellington Road and requires enhanced construction techniques and habitat compensation to manage sensitive in-water work.
- **Vehicle and Shelter Costs:** The rapid transit projects include 14 high-efficiency diesel buses. On top of inflationary pressures, the rising cost of these buses includes the incorporation of advanced emission control technologies and stricter environmental standards. Many of the distinctive features and amenities of higher order transit stops have also been affected by material escalations.
- **Current Design Best Practices:** Compliance with design best practices has resulted in necessary scope expansions to some aspects of the projects beyond what was contemplated in the EA estimates.
- **Legislative Changes:** The On-Site and Excess Soil Regulation (O. Reg. 406/19) now requires soil sampling and testing, as well as documentation, tracking and registration of excess soil leaving construction sites. In response to Bill 93, Getting Ontario Connected Act, the City of London has started using a Dedicated Locator model for capital construction contracts which costs more but helps to avoid the even greater cost risk with potential construction delays due to late locates.

- **Fair Market Value for Land:** The London real estate market has seen a period of unprecedented bidding wars that have caused a rapid upward spike in the value of real estate. These increases can be attributed to a combination of factors, including a period of low-interest rates, the COVID-19 pandemic shifting preferences towards larger homes with more outdoor space, a limited supply of available homes that intensified competition among buyers, and investors seeking safe havens for their capital in real estate.

A business case has been included with the 2024-2027 Multi-Year Budget to request an additional \$174.2 million to complete construction on the three Rapid Transit corridors including the Wellington Gateway, noting that the tax supported contribution for this business case is \$23.9 million, with most of the remainder funded by development charges. Decommithing and transferring funding from the Oxford-Wharncliffe ICIP project would reduce this requirement, if approved by MTO.

2.5 Other Government Funding

In February 2021, the federal government announced they would be establishing a new permanent Public Transit Fund (PTF) of \$3 billion per year, beginning in 2026-27. They committed to working with provinces, territories, municipalities, local governments, Indigenous communities, transit agencies, policy experts and other stakeholders to develop programming for permanent public transit funding. Consultations have been ongoing for over a year, but details of this program have yet to be finalized. The federal government committed that the eligibility criteria and application process for the PTF will be released in 2025 in advance of the March 2026 start of the funding. Development of the PTF and any other external funding programs are being monitored as potential sources of funding for projects identified in the MMP including transit improvements in the area of Oxford Street and Wharncliffe Road.

2.6 Financial Impact

Civic Administration recommends taking advantage of MTO's recent announcement allowing approved ICIP-PTS funding to be re-allocated between projects. Considering the Oxford-Wharncliffe Intersection project has not yet started and will likely be impacted by MMP outcomes, and the Wellington Gateway project is facing budgetary challenges, they are good candidates for decommitting and re-allocating funds.

The total approved value for the Oxford-Wharncliffe Intersection project is \$18.5 million, including \$6,453,040 of federal and provincial ICIP-PTS funding. If approved by MTO, the ICIP-PTS funding will be re-allocated to the Wellington Gateway project. The remaining funding, approximately \$12.0 million of municipal funding (capital levy and development charges), will remain with the Oxford-Wharncliffe Intersection project to be available for new recommendations from the MMP. Refer to Appendix A for information on the financial impact of this proposed change. Recommendation c) requests authority for Civic Administration to proceed with the necessary capital budget adjustments once approval is obtained from MTO. If approved, adjustments to future debt servicing budgets because of the requirement for less tax supported debenture financing for the Wellington Gateway project would be reflected in a future annual budget update amendment.

Conclusion

This report recommends ICIP-PTS project changes to best utilize approved external funding. Recent changes to the ICIP-PTS provide time-limited flexibility in recognition of the ongoing volatility in project costs amongst all program participants. There is the opportunity for the City to decommit funding from approved projects and allocate these funds toward other approved projects to offset budget pressures and inflationary cost increases.

The recommendation also creates an opportunity for better integration of future projects to be identified through the MMP. The MMP is in the process of identifying network mobility improvements and will likely identify new transit and mobility improvements that could influence the design and implementation of the current ICIP intersection project at Wharncliffe Road and Oxford Street.

Considering the above, Civic Administration is recommending that the City take advantage of the recent changes to the ICIP program and request that MTO remove the Oxford and Wharncliffe intersection project from the current ICIP program and the ICIP funding be reallocated to the Wellington Gateway project. Initial consultation with MTO regarding this change has been positive. However to be considered formally, this request needs to be submitted to MTO by January 31, 2024.

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Appendix A: Financial Impact on the Multi-Year Budget

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Appendix A

Financial Impact on the Multi-Year Budget

MYB Business Case P-3 - Rapid Transit Implementation

Capital Budget Impact

2024 - 2027 \$000's	Original MYB Business Case P-3 Requested Amounts	Revised Requirement (if request approved by MTO)	Difference
Expenditure	\$174,156	\$174,156	\$0
Source of Financing			
Debenture	-\$23,850	-\$23,166	\$684
Other	-\$1,390	-\$7,843	-\$6,453
Non-Tax Supported	-\$148,916	-\$143,147	\$5,769

Tax Levy Impact

2024 - 2027 \$000's	Original MYB Business Case P-3 Impact	Revised Business Case Impact (if request approved by MTO)	Difference
Annual Tax Levy Impact	\$4,777	\$4,604	-\$173
Annual Incremental Tax Levy Impact	\$3,014	\$2,928	-\$86
Estimated Annual Tax Levy Impact %	0.09%	0.09%	0.00%
Estimated Annual Tax Levy Impact \$	\$5.35	\$5.15	-\$0.20