

## Report to Strategic Priorities and Policy Committee

**To:** Chair and Members  
Strategic Priorities and Policy Committee

**From:** Anna Lisa Barbon  
Deputy City Manager, Finance Supports  
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**Subject:** Investing in Canada Infrastructure Program Public Transit Stream (ICIP-PTS) – London Transit Commission Highbury Avenue Facility

**Date:** July 27, 2022

## Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports and the Deputy City Manager, Environment and Infrastructure Civic Administration **BE DIRECTED** to work with London Transit Commission staff to develop a joint application to the Investing in Canada Infrastructure Program Public Transit Stream (ICIP-PTS) for a new LTC facility on Highbury Avenue to accommodate transit service growth and the conversion of the LTC fleet to zero-emission buses.

## Executive Summary

The Investing in Canada Infrastructure Program Public Transit Stream (ICIP-PTS) uses a cost-sharing formula of 40% Federal-33% Provincial-27% Municipal dollars to fund capital projects that:

- Improve the capacity of public transit infrastructure;
- Improve the quality and/or safety of existing or future transit systems;
- Improve access to a public transit system; and,
- Improve capacity and/or quality of pathways and/or active transportation.

After the submission of an initial ten projects in March of 2019 and the subsequent submission of a suite of active transportation projects in January of 2022, London has \$119.3 million in remaining allocated Federal and Provincial funding available, which allows for the delivery of at least \$163.4 million in capital works based on the contribution formula. This \$119.3 million in ICIP-PTS has been associated with two growth projects in the City's ten-year capital plan – the North and West corridors of rapid transit – however neither project has been submitted to the ICIP-PTS program for approval and, thus, the Federal and Provincial funding remains available for use on alternative projects.

In July of 2020, staff recommended reserving to London's remaining \$119.3 million ICIP-PTS allocation to fund future eligible projects, which were expected to arise from London Transit Commission (LTC) capital plans and the then-pending Mobility Master Plan (MMP). At that time, the MMP was expected to be sufficiently complete in the late 2023 as to inform a submission to ICIP-PTS prior to the March 2024 application deadline.

The Federal Budget 2022 released this past April made changes to the previous 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 indicated that municipalities with unspent funds must provide notice of their intended project(s) to the Ministry by July 29, 2022 and that final applications must be made to

the Province of Ontario by November 30, 2022 to allow for provincial review prior to the March 31, 2023 federal deadline.

Since the Federal Budget 2022 changes were announced in April, Civic Administration and LTC staff have been working collaboratively to ensure that London's remaining ICIP-PTS allocation is directed to an eligible project or projects that advance Council and Commission priorities related to transit and can proceed in the context of the new deadlines.

The electrification of LTC's fleet has been identified as a priority for Council which, on February 12, 2020, directed staff to work with LTC and other levels of government to identify funding sources for the conversion to a zero emissions fleet as soon as possible. While the February 2020 motion required that funding for the conversion of the LTC fleet to zero emission vehicles not occur at the expense of future transit improvements in north and west London, the accelerated submission deadline precludes the identification of new projects to serve these areas through the MMP.

While the accelerated application deadline puts the ICIP-PTS schedule out of alignment with the schedule for the MMP, the significantly extended construction deadline and the recent completion of the plan to convert LTC's fleet to zero-emission vehicles allow for the consideration of an important project to advance the February 2020 direction from Council. LTC's current Highbury Avenue facility is at the end of its useful life and needs to be replaced to support service growth, regardless of the types of buses that comprise the LTC fleet. With a transition to battery electric buses (BEBs) pending, however, this project is integral to the successful conversion of the LTC fleet from diesel.

A 2019 LTC facilities study concluded that the construction of a new headquarters at the current site was the most cost-effective option, however, that study did not consider the implications of a zero-emission bus fleet. LTC has since undertaken its Zero Emission Bus Fleet Implementation and Rollout Plan which provided details with respect to the additional infrastructure requirements that will be required at the Highbury Avenue facility in order to service and maintain zero-emission buses. An update to the facility study to incorporate these additional requirements is currently underway at LTC.

The Highbury Avenue facility project would have been considered as part of a future report to Council, along with in-road capital projects arising from the MMP. With the information from the 2019 and 2022 LTC studies and the changes to the ICIP-PTS project application and completion deadlines, however, the new Highbury Avenue transit facility becomes both City and LTC staff's recommended project to invest the remaining ICIP-PTS funds to support current transit operations, service growth and fleet electrification.

Future investment in important transit corridors is not precluded by this decision. The new LTC facility is critical to being able to effectively operate the growing system, including new transit service throughout the community. The MMP will include a financial plan that supports budgeting at the City and LTC, the appropriate allocation of growth costs to development charges and ensure readiness to participate in future Federal and Provincial funding programs.

## **Linkage to the Corporate Strategic Plan**

The following report supports the 2019–2023 Strategic Plan through the strategic focus areas of Building a Sustainable City, Growing Our Economy and Leading in Customer Service by contributing to improved mobility options with a focus on climate change mitigation and adaptation. This funding program and report recommendation promotes projects that create an efficient, inclusive, and connected transportation network, while taking advantage of external funding sources to reduce the financial impacts in London.

# Analysis

## 1.0 Background Information

### 1.1 Previous Reports Related to this Matter

- Civic Works Committee – March 14, 2019 – History of London’s Rapid Transit Initiative
- 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 – March 30, 2021 – ICIP Public Transit Stream Approval of Transfer Payment Agreement
- Civic Works Committee – Investing in Canada Infrastructure Program: Public Transit Stream Intake 3 – January 11, 2022

### 1.2 Overview of the ICIP-PTS in London

The ICIP is an infrastructure program designed to create long-term economic growth, build inclusive, sustainable and resilient communities, and support a low-carbon economy. Investments in infrastructure are being made through targeted funding streams. The Public Transit Stream funds projects that improve the capacity, quality, safety and access to public transit infrastructure. This program was originally called the Public Transit Infrastructure Stream (PTIS) and was subsequently renamed the Public Transit Stream (PTS). The City of London received a provision of \$375.6 million from the ICIP-PTS program which provides funding based on a cost-sharing formula of 40% Federal-33% Provincial-27% Municipal dollars to capital projects that:

- Improve the capacity of public transit infrastructure;
- Improve the quality and/or safety of existing or future transit systems;
- Improve access to a public transit system; and,
- Improve capacity and/or quality of pathways and/or active transportation.

In March 2019, Council approved ten public transit and active transportation infrastructure projects for submission for funding consideration under the ICIP-PTS program:

- Downtown Loop;
- East London Link;
- Wellington Gateway;
- Expansion Buses;
- Bus Stop Amenities;
- Intelligent Traffic Signals;
- Adelaide Street Underpass Active Transportation Connections;
- Dundas Place Thames Valley Parkway Active Transportation Connection;
- Dundas Street Old East Village Streetscape Improvements; and,
- Oxford Street / Wharncliffe Road Intersection Improvements.

On June 25, 2019, the Province pledged \$103.2 million for these projects and on August 23, 2019, the Government of Canada announced \$123.8 million in funding. The City of London contribution was \$79.9 million.

After this process, London had an available total allocation of \$148.6 million in 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 have not been submitted to ICIP-PTS. The remaining \$29.3 million was not associated with a specific project.

At the July 21, 2020 Council meeting, decisions related to the \$119.3 million were deferred until the MMP could be completed in late 2023. The North and West rapid

transit corridor growth capital projects remain 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.

Early ICIP-PTS program requirements only provided funding for active transportation projects on the basis of their role in supporting transit services. Later updates to the program added a new category of funding eligibility for projects that independently improve the capacity and/or quality of pathways and/or active transportation infrastructure. As a result of this change, on January 25, 2022, Council approved the submission of a suite of active transportation projects that would use the \$29.3 million in unallocated ICIP-PTS funding to deliver \$40 million in active transportation investments. These project applications were submitted earlier this year and await response from the program administrators.

London currently has \$119.3 million in ICIP-PTS funding reserved for future investment in eligible projects, which allows for the delivery of \$163.4 million in total capital works. City and LTC staff intended to provide Council with a recommended suite of projects to use the remaining allocation by November of 2023. The projects were expected to be identified from both the Mobility Master Plan and LTC's facility and fleet planning efforts, which are both required to enhance transit in London

## **2.0 Discussion and Considerations**

### **2.1 2022 Program Schedule Updates**

Prior to April of 2022, the ICIP-PTS program required municipalities to submit projects by March 28, 2024 and complete their construction by October of 2027. On that basis, City staff had initially intended to use both 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 and use the remaining \$119.3 million in London's funding allocation.

The Federal Budget released on April 7, 2022 made changes to the previous schedule 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.

Since that time, City and LTC staff have been working collaboratively to ensure that London's remaining ICIP-PTS allocation is directed to an eligible project or projects that advance Council and Commission priorities related to transit, transit electrification and can proceed in the context of the new deadlines. While the new application deadline precludes submitting projects from the MMP, the extended construction deadline and the recent completion of LTC's Zero Emission Bus Fleet Implementation and Rollout Plan creates the opportunity to fund a necessary transit project with London's remaining allocation: a new LTC transit facility to support both service growth and fleet electrification.

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 July 29, 2022 and that final applications must be made via the Province by November 30, 2022. Civic Administration are investigating if a short extension to the Provincial submission deadline is possible to accommodate the current Committee and Council meeting schedule. If not, the updated schedule can be met, but will likely require special meetings of the Strategic Priorities and Policy Committee and Council to approve the submission of the business case in November.

### **2.2 The Mobility Master Plan**

The City of London manages a transportation network that provides for the movement

of people and goods. This is done with a focus on equity, the environment and the economy. The system provides opportunity for the main mobility modes – walking, cycling, transit, movement with mobility devices and motorized vehicle movement. Future mobility planning is both necessary and prudent considering that London’s population is anticipated to grow between 66,000 and 139,000 people over the next 20 years. As well, master planning forms the basis for capital plans and policies and is often required to support applications to senior government infrastructure funding programs and allocate appropriate costs to development.

This approximately \$1.1 million comprehensive planning process that is underway will create a new integrated Mobility Master Plan that builds on the current Smart Moves London 2030 Transportation Master Plan and the London ON Bikes Cycling Master Plan and identifies the policy framework, infrastructure programs and supportive programs with a 25-year horizon. The plan is being created using a thorough consultation process, technical analyses, and in consideration of The London Plan, Council’s Strategic Plan and associated initiatives, such as the Climate Emergency Action Plan, Safe City for Women and Girls, and the City’s commitments to community diversity, accessibility and inclusion.

The MMP will be close to its conclusion by late 2023 and would have been sufficiently advanced as to recommend projects to Council for submission to ICIP-PTS based on the original March 28, 2024 deadline. It is not possible, however, to accelerate it in order to meet the November 30, 2022 ICIP-PTS application deadline to the Province.

The MMP is being done differently than its precursor plans, the Smart Moves 2030 Transportation Master Plan and London ON Bikes Cycling Master Plan. It is London’s first fully integrated multi-modal transportation plan, with equity and accessibility being built into all aspects of the plan and its development. While not forgoing the standard level of engineering and financial rigour needed to build a robust plan for London’s future mobility needs, the MMP process places a much stronger emphasis on stakeholder and public engagement than a traditional transportation master planning process would have previously.

The MMP will also include a financial plan that supports budgeting at the City and LTC, informs the appropriate allocation of growth costs to development charges and ensures readiness to participate in future Federal and Provincial funding programs as they are announced.

### **2.3 LTC Facility in Support of Fleet Electrification and Service Growth**

While the new ICIP-PTS application deadline does not align with the submission of previously unidentified capital transit projects arising from the MMP, the generous extension of the project completion deadline from October 2027 to October 2033 and the recent completion of LTC’s Zero Emission Bus Fleet Implementation and Rollout Plan allows for the submission of a necessary project that could not previously be accommodated.

In February of 2019, LTC received a consultant’s report entitled “Strategic Assessment of LTC Facility Needs and Path Forward”, which outlined the need for the complete reconstruction of LTC’s current headquarters on Highbury Avenue at a high-level cost of \$100 million in 2019 dollars; this figure will be updated by the work LTC staff are currently undertaking with a consultant to develop the functional design, budget and business case. At that time, the assessment did not consider the impacts of transitioning to an electric bus fleet, but it still concluded that a new facility was required to:

- Accommodate the fleet and personnel growth required to provide transit services to a growing London; and,

- Address the poor condition of the existing facility, which was not purpose built for transit operations, was well past its economic/design life, and was creating an ongoing operational and financial burden for LTC.

Three locations were assessed, and the construction of a new facility on the existing Highbury Avenue site was identified as the preferred option using a total cost assessment approach that considered land and capital costs as well as the cost of ongoing transit operations, such as deadheading to and from routes.

After the LTC facility needs study was concluded, the transition of transit fleets to zero emission vehicles began to gain significant traction throughout Canada and here in London. On February 12, 2020, Council directed staff to advance the work to convert the LTC fleet to zero emission buses by requesting the identification of funding sources for the purchase of electric buses and charging infrastructure as soon as possible. The subsequent approval of a \$26 million budget amendment in the 2022 Annual Budget Update in support of the LTC zero emission bus pilot project confirmed this priority. The transition of LTC's fleet from diesel to zero emission buses will have significant impacts on Commission's future facilities needs, however, which needed careful evaluation before the new Highbury Avenue facility could be confirmed as appropriate for supporting a future electric fleet and in order to determine changes required to the facility plan as the result of conversion to BEBs.

On Wednesday, May 25, 2022, London Transit Commission approved in principle the Zero-Emission Bus (ZEB) Fleet Implementation and Rollout Plan completed by the Canadian Urban Transit Research and Innovation Consortium (CUTRIC). Further, the Commission directed LTC Administration to use the Rollout Plan as the framework for the transition to a zero-emission conventional transit bus fleet. As a first step in the transition, the Commission approved a staff recommendation to proceed with the purchase of ten BEBs and six chargers (four depot-based chargers and two opportunity chargers). This initial project requires a \$1.8 million to retrofit to the LTC Wonderland Road Bus Depot facility, including the cost of any required upgrades to London Hydro services. The cost for the first ten BEBs is approximately \$15 million.

The CUTRIC study assumed that all annual bus replacements (currently 17 each year) would also be BEBs effective immediately the year following the purchase of the initial ten buses, however industry best-practice suggests that a full year of operating experience with BEBs covering all four seasons is required in order to identify all areas of concern with respect to the feasibility of future route conversions. This incremental approach also assists with other concerns related to the incremental cost of BEBs versus diesel buses, the need to build a team of BEB-qualified mechanics and other staff, and the availability of the rolling stock itself. A future LTC report will outline various options for the pace of replacement each year and LTC and City staff are collaborating on the corresponding budget requirements in advance of the 2024 to 2027 Multi-Year Budget.

The CUTRIC study and the planned conversion from diesel to BEBs also identifies an increased urgency to address the aging facility on Highbury Avenue that LTC was already challenged to maintain and projected to outgrow. If, after the pilot project were complete, LTC were to adopt the CUTRIC recommendation of purchasing 17 BEBs each year as its replacement buses, the space for BEBs at the Wonderland Road Bus Depot would be outgrown by 2028. No additional expansion of BEB capacity is possible at the Wonderland Road Bus Depot.

In order to proceed with the full electrification of the transit fleet, a new LTC Highbury Avenue facility is required as soon as 2028. Even if LTC ultimately decides that the transition to BEBs be somewhat slower, having the new LTC Highbury Avenue facility ready to accommodate them in advance of the Wonderland facility reaching capacity will allow for more flexibility in the identification of routes to be transitioned to BEBs. The LTC facility on Highbury Avenue is past the end of its useful life and needs to be replaced to avoid increased maintenance costs, eliminate operational constraints and support service growth for all areas of London, regardless of the pace fleet replacement.

LTC staff are working with a consultant to develop the functional design, budget and business case that would form the basis of an application to the Province in November in advance of the Federal ICIP-PTS deadline of March 31, 2023.

### **3.0 Financial Impact/Considerations**

#### **3.1 LTC Facility Needs and Electrification Funding**

To support the delivery of a new LTC Highbury Avenue facility, the City currently has a capital project, MU1450 - Highbury Facility Demolition & Rebuild, in its ten-year forecasted capital plan. This project has \$79.75 million of funding budgeted in the 2023 to 2032 forecast period. This project is predominantly funded by tax-supported debt.

To advance the electrification of the LTC fleet, Budget Amendment #P-12 in the 2022 Annual Budget Update established a \$26 million project (MU1101) to support the LTC pilot project. It should be noted that this amendment assumed the City and LTC would be successful in receiving 50% of the cost of the pilot project from Infrastructure Canada's Zero Emission Transit Fund (ZETF). The 50% municipal share of the project is currently available in MU1101 which is funded entirely by tax-supported debt and can be used to purchase the initial ten BEBs and make the required upgrades to the Wonderland Road Bus Depot.

#### **3.2 Potential Impacts on the Ten-Year Capital Plan**

If approved, a successful application to the ICIP-PTS program for the LTC Highbury Avenue facility would have positive impacts on the City's capital plan. Receiving seventy-three cents on the dollar for a significant project that is already budgeted would impact the level of tax-supported debt financing required, either making that debt financing available for other projects or reducing the overall level of debt financing if it is not required for other projects. Capital project MU1450 has a substantial budget that would be able to address the municipal requirement to contribute 27% of the project cost.

Despite the \$79.75 million budget for the LTC Highbury Avenue facility that is already in place, the current high-level estimates for the project indicate it would be a challenge to fund aligned with the necessary timelines for electrification without support from other levels of government. A considerable amount of additional funding will be required if the City is the sole funding source. Solidifying a contribution from the ICIP-PTS program would ensure LTC has the required facilities and capacity available in a timely manner to support its fleet electrification goals and contribute to the overall financial health of the City.

In order to reallocate the available ICIP-PTS funding from the North and West rapid transit corridor capital projects, future Council approval will be sought once the status of any application made for the LTC Highbury Avenue facility is known. The available PTS funding is allocated \$82.5 million and \$36.8 million to the North and West rapid transit corridor projects respectively, but those funds are not associated with any particular project by ICIP-PTS administrators.

Moving this funding will reduce the available budgets for each growth capital project, but both the tax-supported and development charge funding will be maintained. The Mobility Master Plan will continue to work to plan the future transit services required for the rapidly growing north and west areas of the city, and indeed, those needs throughout the community. This work, along with future Development Charge Background Studies and the budget development processes, will create new financial plans to use the tax and development charge funds associated with the implementation of the MMP and ensure the City is ready to take advantage of any future funding programs as they are announced.

## Conclusion

The ICIP-PTS is an infrastructure program providing funding based on a cost-sharing formula of 40% Federal -33% Provincial - 27% Municipal dollars to capital projects that improve transit and active transportation. London has \$119.3 million remaining available in allocated Federal and Provincial funding, which allows for the delivery of a total of \$163.4 million in capital works based on the contribution formula.

The Federal Budget released in April of 2022 made changes to the previous 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. More recently, the Province has identified a project application deadline of November 30, 2022 with advance notification of anticipated projects required by July 29, 2022.

Since April, City and LTC staff have been working to ensure that London's remaining ICIP-PTS allocation is directed to an eligible project(s) that advance Council and Commission priorities related to transit and can proceed in the context of the new deadlines.

Regardless of the type of vehicle LTC operates in the future, the construction of a new LTC facility at its current location on Highbury Avenue is required. The existing facility is past its design and economic life and is no longer efficient to operate, maintain or upgrade. The existing facility also cannot accommodate the planned growth in service needed to support a rapidly growing city. As LTC embarks on the conversion of its diesel fleet to BEBs, the construction of a new Highbury Avenue facility becomes increasingly urgent. Upgrades can be made to the Wonderland Road Bus Depot to support a BEB pilot project of ten buses, as well as some conversion of the existing diesel fleet in the initial years of transition. Depending on the final transition schedule for BEBs, however, a new Highbury facility could be required to be fully operational as soon as 2028.

Submitting LTC's facility as an ICIP-PTS application while the funds remain available is a prudent use of the funding opportunity that compliments the Mobility Master Plan and Climate Emergency Action Plan by facilitating future transit improvements in an environmentally sustainable way. The City currently has a number of capital projects in its ten-year capital plan to support the LTC Highbury facility and transition to BEBs. These sources of funding will support the required municipal contribution if an application to the ICIP-PTS program is successful. A successful application would require capital project budget amendments to adjust PTS funding already included in the capital plan, however, confirmation of grant funding in the amount of seventy-three cents on the dollar for the Highbury Avenue project would have positive impacts on the City's financial flexibility and ability to meet the required LTC timelines for fleet electrification.

New transit infrastructure projects identified through the Mobility Master Plan will be funded through future City and LTC capital budgets, development charges and future Federal and Provincial funding programs as they are announced.

**Recommended by:**            **Kelly J. Scherr**  
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