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The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2024-F-18
Date: November 12, 2024

Subject:

2024 Durham Region Transit Bus Order and Capital Project Budget Re-allocations

Recommendation:

That the Finance and Administration Committee recommends to Regional Council:

- A) That the project gross costs and financing shown in Section B of Attachment #1 be approved, replacing the previously approved bus stop infrastructure, vehicles, vehicle outfitting, facility, charging infrastructure and other project costs and financing shown in Section A of Attachment #1.
 - B) That staff be granted authority to request the necessary federal and provincial approvals to re-allocate Investment in Canada Infrastructure Program (ICIP) grant funding among bus stop infrastructure and the administrative building re-build projects, as shown in the Attachment #1, and potentially further re-allocations as necessary, to mitigate risk that federal and provincial ICIP funding is left un-spent and to align ICIP funding with current priorities; and
 - C) That the Commissioner of Finance be authorized to adjust financing for the projects in Section B of Attachment #1 in the unlikely event that the Region's request to reallocate ICIP funding is not approved by the federal or provincial governments.
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Report:**1. Purpose**

- 1.1 The purpose of this report is to seek approval of the Finance and Administration Committee for the reallocations of project budgets and associated financing for the 2024 transit vehicle, vehicle outfitting, facility and charging infrastructure projects as well as projects funded through the Investing in Canada Infrastructure Program (ICIP).

2. Background

- 2.1 The 2024 budget included the purchase of 34 battery-electric buses (18 growth, 16 replacement) and associated charging equipment and infrastructure. The budget anticipated \$33.7 million in grant funding from the Zero Emission Transit Fund (ZETF) for electric battery buses and the associated equipment and infrastructure. Infrastructure Canada recently advised the Region that Durham would not be receiving funding through the ZETF program.
- 2.2 Without funding from ZETF, Durham Region Transit is required to reconsider the purchase of buses using existing funding approved in the 2024 budget. The Transit Executive Committee at their November 6, 2024 meeting approved proceeding with the ordering of 18 diesel buses (12 growth buses and 6 replacement buses), vehicle outfitting and critical electrification infrastructure at the 110 Westney Road Transit facility subject to Finance and Administration Committee and Regional Council approving the associated financing reallocations.
- 2.3 On September 23, 2024, the Ontario Ministry of Transportation (MTO) ICIP Team informed Durham Region Transit that there will be an additional offering of the time-limited flexibilities by Housing, Infrastructure and Communities Canada (formerly known as Infrastructure Canada) and the MTO for Durham Region Transit to request funding be decommitted from existing ICIP projects and reallocated to another approved or nominated ICIP project. Decommitted funds are funds that become available due to scope reductions, cost savings or cancellations of approved ICIP projects.

3. Previous Reports and Decisions

- 3.1 [2022-F-16](#) E-Mission Zero – DRT Fleet Electrification Plan
- 3.2 [2023-F-5](#) Transit Service and Financing Strategy (2023-2032)
- 3.3 [2024-F-3](#) The 2024 Regional Business Plans and Budget for Property Tax Purposes, including General Purpose, Solid Waste Management and Durham Region Transit
- 3.4 [2024-DRT-17](#) Capital Project Budget Re-allocations and 2024 DRT Bus Order

4. Discussion

2024 Bus Orders

- 4.1 Durham Region Transit must proceed with ordering buses in 2024 to minimize the operational risks for projected ridership levels and demands for service in September 2026. Annual ridership projections for 2024 are 13.0 million, 13.9 million for 2025, and 15.2 million for 2026.
- 4.2 Without ZETF financing available to fund a large portion of the 2024 bus purchases as was approved in the 2024 Business Plans and Budget, the Transit Executive Committee, at their November 6, 2024 meeting, approved ordering 18 diesel buses (12 growth buses and 6 replacement buses), vehicle outfitting and critical electrification infrastructure at the 110 Westney Road Transit subject to approval of the required reallocation of already approved financing.

Bus Stop Infrastructure and Administrative Building Re-build Projects

- 4.3 The current ICIP funded project for bus stop infrastructure included risk contingency to account for uncertainties in solar and shelter requirements over multiple years in consideration of AODA deadlines and other factors. The original estimates will be lower than forecasted, and the bus stop infrastructure project can be de-scoped, with the decommitted funding reallocated as outlined in this report.
- 4.4 As a result of inflationary pressures, the Class A estimate for the construction of the rebuilding of the administration building at the Oshawa depot, exceeds the current budget by \$870,000. Staff are recommending the reallocation of funding from the bus stop infrastructure project to this high priority project, increasing the budget from \$12,670,800 to \$13,540,800.

5. Financial Implications

- 5.1 Section A of the table included in Attachment #1 presents the 2024 approved quantities, budgets, and financing for the capital projects contemplated within this report. Section B of the table presents the proposed revised quantities, budgets and financing, and Section C highlights the changes between the approved and proposed revised amounts.
- 5.2 Under the proposed re-allocation strategy, the Region's Investing in Canada Infrastructure Program (ICIP) bus stop infrastructure project is de-scoped, reducing the project budget by \$5,524,667 from \$9,744,000 to \$4,219,333, with the related project financing to be re-allocated towards Durham Region Transit's Administrative Building Re-Build project, increasing the administration building re-build project budget by \$870,000 from \$12,670,800 to \$13,540,800 and displacing \$4,654,667 in provincial gas tax funding that was previously approved for the project, to be re-allocated towards vehicles, vehicle outfitting and the 110 Westney Facilities EV Charging Infrastructure projects.

- 5.3 The proposed recommendation and funding re-allocations enable the purchase of 12 growth diesel buses, and six replacement diesel buses. The related vehicle up-fitting costs (e.g., PRESTO and INIT) are also accommodated.
- 5.4 Furthermore, it is proposed that the Software, Equipment, Tools, and PPE project and the EV Charging Equipment (Heavy) project be cancelled, and the 110 Westney Facilities EV Charging Infrastructure project be reduced in scope with the total project budget to be reduced by \$2,253,564, requiring \$2,300,000 in Regional debt financing, with the remaining amount (\$426,436) to be financed using gas tax revenue re-allocation. It is noted that this project may require additional financing in the future, and related approvals would be sought through the Region's annual Business Planning and Budgets processes.
- 5.5 The proposed revised capital projects shown in Section B of Attachment #1 total \$39,551,047 and are proposed to be financed as follows:
- \$13,023,506 ICIP Grant funding,
 - \$2,300,000 in Regional Debenture financing,
 - \$ 7,457,229 in Residential Development Charge revenues,
 - \$ 2,499,018 in Non-Residential Development Charge revenues,
 - \$10,276,294 in Provincial Gas Tax funding,
 - \$3,500,000 in funding from the Region's Capital Impact Reserve Fund, and
 - \$495,000 in General Levy funding.
- 5.6 Importantly, the financing amounts shown above have already been approved through the Region's business plans and budgets and do not represent additional capital financing above already approved amounts.
- 5.7 It is noted that under the proposed revised project financing for these projects, Region debt requirements decrease by \$5,515,000 from \$7,815,000 to \$2,300,000. Furthermore, \$20,230,000 in CIB debt for previously budgeted electric buses is no longer required (see Section C of Attachment #1) and cannot be reallocated to diesel bus acquisitions. This loan financing from CIB remains available to the Region to fund a portion of eligible electric bus acquisitions costs through 2026. As part of the Region's 2025 and 2026 Business Plans and Budgets, staff will be looking to utilize this financing where eligible.
- 5.8 The Regional debt requirement of \$2,300,000 implies an annual debt servicing requirement of approximately \$298,000 which will represent a pressure in future Durham Region Transit operating budgets.

5.9 As referenced in recommendations B and C of this report, provincial and federal approval will be necessary to re-allocate ICIP financing from the bus stop infrastructure project towards the administrative building re-build project. There is risk that such approvals may not be granted and as such, this report recommends that the Commissioner of Finance be authorized to adjust the financing of these projects if necessary. Staff will also consider other re-allocation requests that could potentially mitigate risk that federal and provincial funding is left un-spent and ensure ICIP funding aligns with current priorities.

6. Relationship to Strategic Plan

6.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

- Goal 1 Environmental Sustainability – expand sustainable and active transportation; and
- Goal 5 – Service Excellence – to provide exceptional value to Durham property taxpayers through responsive, effective and fiscally sustainable service delivery.

7. Conclusion

7.1 In the absence of approved federal ZETF funding, Transit Executive Committee, at their November 6, 2024 meeting, approved ordering 18 diesel buses (12 growth buses and 6 replacement buses), vehicle outfitting and critical electrification infrastructure at the 110 Westney Road Transit subject to Finance and Administration Committee and Council's approval of the required reallocation of already approved financing.

7.2 It is further recommended that project gross costs and financing shown in Section B of Attachment #1 be approved, to respond to revised funding, requirements and forecasts replacing the previously approved bus stop infrastructure, vehicles, vehicle outfitting, facility, charging infrastructure and other project costs and financing shown in Section A of the Attachment #1.

7.3 For 2025 budget purposes, staff will endeavour to incorporate recommendations to enhance the proposed number of electric buses. There are significant time constraints to submit the order for the 2024 bus purchase to achieve delivery in time for the September 2026 service plan improvements. The advanced timing of the 2025 budget will help to mitigate this timing challenge for the proposed 2025 bus orders.

7.4 The Transit Service and Financing Strategy (2023 – 2032) is planned to be revised in 2025 to reflect available and projected financing, providing the revised future service growth and transition horizon for a fully- battery-electric bus fleet. Staff remains committed to the transition of the fleet to battery electric buses as soon as practical.

8. Attachments

Attachment #1: Approved and Proposed Revised Durham Region Transit Capital Projects

Respectfully submitted,

Original Signed By

Nancy Taylor
Treasurer and Chief Financial Officer

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

Approved and Proposed Revised Durham Region Transit Capital Projects

Section A: Approved DRT Capital Project Quantities, Budgets, and Financing

Project	Quantity	Approved Budget	Financing							ZETF Grant	General Levy
			ICIP Grant	CIB Debt	Regional Debenture	Residential DCs	Non-Residential DCs	Prov. Gas Tax	Capital Impact Reserve Fund		
Electric Growth Buses	18	30,240,000	-	10,710,000	-	1,492,000	2,918,000	-	-	15,120,000	-
Electric Replacement Buses	16	26,880,000	-	9,520,000	-	-	-	420,000	3,500,000	13,440,000	-
Diesel Growth Buses	-	-	-	-	-	-	-	-	-	-	-
Diesel Replacement Buses	-	-	-	-	-	-	-	-	-	-	-
Additional Fareboxes/Radios	18	378,000	-	-	-	110,000	37,000	-	-	189,000	42,000
Additional INIT	18	720,000	-	-	-	210,000	71,000	-	-	360,000	79,000
Additional PRESTO	18	378,000	-	-	-	110,000	37,000	-	-	189,000	42,000
PRESTO/INIT MACD	16	664,000	-	-	-	-	-	-	-	332,000	332,000
EV Charging Equipment (Heavy)	32	6,400,000	-	-	3,200,000	-	-	-	-	3,200,000	-
ICIP Bus Stop Infrastructure	-	9,744,000	7,145,275	-	-	-	-	2,598,725	-	-	-
ICIP Admin Building Re-Build	-	12,670,800	5,878,230	-	-	-	-	6,792,570	-	-	-
110 Westney Facilities EV Charging Infrastructure	-	4,980,000	-	-	4,615,000	-	-	-	-	365,000	-
Software, Equipment, Tools, PPE,	-	930,000	-	-	-	-	-	465,000	-	465,000	-
Total		93,984,800	13,023,506	20,230,000	7,815,000	1,922,000	3,063,000	10,276,294	3,500,000	33,660,000	495,000

Section B: Proposed Revised Project Quantities, Budgets and Financing

Project	Quantity	Proposed Budget	Financing							ZETF Grant	General Levy
			ICIP Grant	CIB Debt	Regional Debenture	Residential DCs	Non-Residential DCs	Prov. Gas Tax	Capital Impact Reserve Fund		
Electric Growth Buses	0	-	-	-	-	-	-	-	-	-	-
Electric Replacement Buses	0	-	-	-	-	-	-	-	-	-	-
Diesel Growth Buses	12	11,728,824	-	-	-	6,755,580	2,263,886	2,709,358	-	-	-
Diesel Replacement Buses	6	5,864,412	-	-	-	-	-	2,364,412	3,500,000	-	-
Additional Fareboxes/Radios	12	415,800	-	-	-	242,607	81,301	-	-	-	91,892
Additional INIT	12	519,120	-	-	-	302,891	101,503	-	-	-	114,726
Additional PRESTO	12	267,624	-	-	-	156,151	52,328	-	-	-	59,145
PRESTO/INIT MACD	6	268,698	-	-	-	-	-	39,460	-	-	229,238
EV Charging Equipment (Heavy)	0	-	-	-	-	-	-	-	-	-	-
ICIP Bus Stop Infrastructure	-	4,219,333	3,094,037	-	-	-	-	1,125,296	-	-	-
ICIP Admin Building Re-Build	-	13,540,800	9,929,469	-	-	-	-	3,611,331	-	-	-
110 Westney Facilities EV Charging Infrastructure	-	2,726,436	-	-	2,300,000	-	-	426,436	-	-	-
Software, Equipment, Tools, PPE,	-	-	-	-	-	-	-	-	-	-	-
Total		39,551,047	13,023,506	-	2,300,000	7,457,229	2,499,018	10,276,294	3,500,000	-	495,000

Section C: Changes in Project Quantities, Budgets and Financing Resulting From Proposed Revisions (i.e., Section B - Section A)

Project	Quantity	Proposed Budget Change	Financing							ZETF Grant	General Levy
			ICIP Grant	CIB Debt	Regional Debenture	Residential DCs	Non-Residential DCs	Prov. Gas Tax	Capital Impact Reserve Fund		
Electric Growth Buses	-18	-30,240,000	-	-10,710,000	-	-1,492,000	-2,918,000	-	-	-15,120,000	-
Electric Replacement Buses	-16	-26,880,000	-	-9,520,000	-	-	-	-420,000	-3,500,000	-13,440,000	-
Diesel Growth Buses	12	11,728,824	-	-	-	6,755,580	2,263,886	2,709,358	-	-	-
Diesel Replacement Buses	6	5,864,412	-	-	-	-	-	2,364,412	3,500,000	-	-
Additional Fareboxes/Radios	-6	-37,800	-	-	-	-132,607	-44,301	-	-	-189,000	-49,892
Additional INIT	-6	-200,880	-	-	-	-92,891	-30,503	-	-	-360,000	-35,726
Additional PRESTO	-6	-110,376	-	-	-	-46,151	-15,328	-	-	-189,000	-17,145
PRESTO/INIT MACD	-10	-395,302	-	-	-	-	-	-39,460	-	-332,000	-102,762
EV Charging Equipment (Heavy)	-32	-6,400,000	-	-	-3,200,000	-	-	-	-	-3,200,000	-
ICIP Bus Stop Infrastructure	-	-5,524,667	-4,051,238	-	-	-	-	-1,473,429	-	-	-
ICIP Admin Building Re-Build	-	-870,000	-4,051,238	-	-	-	-	-3,181,238	-	-	-
110 Westney Facilities EV Charging Infrastructure	-	-2,253,564	-	-	-2,315,000	-	-	-426,436	-	-365,000	-
Software, Equipment, Tools, PPE,	-	-930,000	-	-	-	-	-	-465,000	-	-465,000	-
Total		-54,433,753	-	-20,230,000	-5,515,000	5,535,229	-563,982	-	-	-33,660,000	0

Note: The proposed revised project financing plan requires \$5,535,229 in Residential Development Charge Revenues sourced from surpluses of other previously approved projects.