

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
Kelly J. Scherr, Deputy City Manager, Environment & Infrastructure

Subject: Investing in Canada Infrastructure Program Public Transit Stream (ICIP-PTS) – London Transit Commission Highbury Avenue Facility Demolition and Rebuild – Project 1

Date: December 6, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports and the Deputy City Manager, Environment & Infrastructure with the concurrence of the General Manager, London Transit Commission:

- a) Civic Administration **BE DIRECTED** to submit London Transit Commission (LTC) Highbury Avenue Facility Demolition and Rebuild – Project 1 to the Investing in Canada Infrastructure Program Public Transit Stream (ICIP-PTS);
- b) The budget for the project **BE APPROVED** in accordance with the Source of Financing Report attached hereto as Appendix “A”; and,
- c) Civic Administration **BE AUTHORIZED** to carry out all budget adjustments required to establish the budget for the LTC Highbury Avenue Facility Demolition and Rebuild.

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 submitting ten projects in March 2019 and a suite of active transportation projects in January 2022, London has \$119.3 million in remaining allocated Federal and Provincial funding, allowing for the delivery of at least \$163.4 million in capital works based on the contribution formula. In July 2020, staff recommended reserving London’s remaining allocation to fund future eligible projects expected to arise from London Transit Commission (LTC) capital plans and the Mobility Master Plan (MMP). At that time, the MMP was expected to be sufficiently complete in late 2023 as to inform an ICIP-PTS submission prior to the March 2024 application deadline.

The Federal Budget 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. As a result, Civic Administration recommended reallocating London’s remaining ICIP-PTS funding to the construction of the new LTC Highbury Avenue Facility as this project could meet both the revised submission and construction schedules. On August 2, 2022, City Council approved the following:

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.

This work is substantially complete and this report is seeking Council approval to submit the LTC Highbury Avenue Facility Demolition and Rebuild – Project 1 to the ICIP-PTS program, using the remaining \$119.3 million allocated to London. The recently completed LTC Facility Needs Assessment determined that the Highbury Avenue facility had reached its useful life. The recommended path forward calls for the replacement of the Highbury facility on the existing site, noting the demolition and reconstruction would need to be completed in phases in order to be able to continue to maintain and service buses during the construction period.

The cost estimate to complete the Highbury facility replacement is \$332.5 million, including design and consulting fees as well as cost escalation projections given the estimated start of construction being 2025. The facility replacement has been broken into two distinct projects in order to maximize use of available funding and mitigate the extent of impact on the taxpayer. While both projects need to be completed in order to realize the increased bus storage and charging capacity for battery electric buses, normal operations can continue once Project 1 is completed. This approach also provides the opportunity to assess funding sources for Project 2 while Project 1 is underway.

Given the need to continue to operate from the Highbury facility during construction, the two projects are split into multiple phases. Project 1 has an estimated cost of \$199.5 million and is recommended for submission to ICIP-PTS through this report. Project 2 is estimated to cost \$133.0 million, noting that this will need to be considered through a future Multi-Year Budget submission.

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 battery electric buses (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 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. 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.

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 on the City of London.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

- Civic Works Committee – June 19, 2012 – London 2030 Transportation Master Plan
- Planning and Environment Committee – June 13, 2016 – The London Plan
- Civic Works Committee – September 7, 2016 – London ON Bikes Cycling Master Plan
- Civic Works Committee – November 17, 2020 – Active Transportation Infrastructure 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 – March 10, 2020 – Cycling Master Plan Technical Amendments
- 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 Purpose

This report recommends the submission of the LTC Highbury Avenue Facility Demolition and Rebuild – Project 1 to the Public Transit Stream of the Investing in Canada Infrastructure Program (ICIP-PTS).

2.2 Overview of the ICIP-PTS in London

ICIP-PTS funds projects that improve the capacity, quality, safety and access to public transit infrastructure. London received a provision of \$375.6 million from the 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.

In June 2019, the Province pledged \$103.2 million for these projects and, in August 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 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 allocation until the MMP could be completed in late 2023. 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 a program 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 in order to use the remaining \$119.3 million in London's funding allocation. The Federal Budget released on April 7, 2022, however, 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 July 29, 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 for London be used to advance the LTC Highbury Avenue Facility Demolition and Rebuild, which was approved by Council on August 2, 2022. In light of that decision, Provincial officials have granted London a brief extension to submit the project until this report can be considered by Council on December 13, 2022.

2.3 The Project - LTC Highbury Avenue Facility

In February 2019 the London Transit Commission approved in principle the Strategic Assessment of LTC Facility Needs and Path Forward completed by the IBI Group. The study determined that the Highbury Avenue facility had reached its useful life, noting the main buildings were more than 70 years of age and building materials were in poor condition. Further, the existing facility is not energy efficient, nor is the piecemeal placement of multiple buildings on site operationally efficient. The recommended path forward calls for the replacement of the Highbury facility on the existing site, noting the demolition and reconstruction would need to be completed in phases to be able to continue to maintain and service buses during the construction period. The new, purpose-built facility would have the capacity to service and store 252 buses, providing for the ability to accommodate fleet expansion requirements through 2047. As no

specific source of funding was identified for this initiative, it was placed in the Commission's 10-year Capital budget as a placeholder noting that funding sources need to be determined.

On May 25, 2022, London Transit Commission approved in principle the Zero-Emission Bus 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.

The Implementation Rollout Plan will require retrofits at both the Wonderland and Highbury facilities in order to allow for the required charging and maintenance infrastructure to be installed. Given the status of the Highbury facility, the plan recommends that operating new zero emission buses from Highbury be deferred until such time as the facility is rebuilt in order to avoid throw-away costs associated with undertaking a retrofit prior to demolishing the facility. Based on this approach, if 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.

Subsequent to approval in principle of the Zero-Emission Bus Fleet Implementation and Rollout Plan, the Commission directed Administration to have the LTC Facility Needs Assessment updated to account for the transition to a zero-emission bus fleet and to have a Class D costing estimate prepared for the facility replacement. The cost estimate to complete the Highbury facility replacement is \$332.5 million, including design and consulting fees as well as cost escalation projections given the estimated start of construction being 2025. The Highbury facility replacement has been broken into two distinct projects, each with multiple phases. While both projects need to be completed in order to realize the increased bus storage and charging capacity for battery electric buses, normal operations can continue once Project 1 is completed.

Given the need to continue to operate from the Highbury facility during construction, the project also includes operational expenses associated with the need to store some of the bus fleet off site during the construction period.

Project 1 of the initiative is being recommended for submission for the ICIP-PTS funding. This project includes the following six phases:

- Phase I - Demolish building and tent at the south end of the property
- Phase II - Build a maintenance area, administration offices and employee parking
- Phase III - Demolish east part of existing bus garage
- Phase IV - Build new service lanes and part of new bus garage
- Phase V - Demolish existing service lanes and administrative offices
- Phase VI – Clean up existing maintenance bay to store buses

Completion of Project 1 would result in an improved maintenance operation for all buses at the Highbury facility, and when complete, would have comparable bus storage space to today. This approach will enable continued normal operation from the Highbury facility during the period between the two projects. The time between the first and second project also provides the opportunity to assess funding sources for Project 2 while Project 1 is underway.

3.0 Financial Impact/Considerations

3.1 LTC Facility Funding Needs

The current estimate from LTC’s consultant, IBI Group, estimates the total cost of the LTC Highbury Avenue Facility Demolition and Rebuild to be \$332.5 million. This estimate is broken down into two projects: Project 1 - \$199.5 million, and Project - 2 \$133.0 million.

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 2022 to 2031 capital plan period, with the bulk of the funding in years 2029 and 2031. MU1450 is predominantly funded by tax-supported debt (\$64.6 million), which is a source of financing that is flexible with respect to its timing within the 10-year capital plan period.

3.2 Project 1: Funding Strategy for LTC Highbury Facility

If approved, this report will trigger several budget adjustments to increase and adjust the timing of the budget in MU1450 to fund the \$199.5 million estimate for Project 1. These adjustments are summarized in the table below.

Tax Supported Funding		Amount
Existing Debt Financing in MU1450 Advanced to 2022		\$64.6M
Additional New Debt Financing		\$15.6M
Other Government Funding		Amount
Existing and Available PTS Funding Transferred from RT1430 North and West Corridor Projects ¹		\$119.3M
TOTAL LTC HIGHBURY FACILITY FINANCING		\$199.5M

*Subject to rounding
(1) The PTS program requires a 27% municipal contribution, funded by development charges and capital levy. This municipal contribution will be “left behind” in the RT1430 accounts to support future solutions for the north and west.

3.2.1 Impacts on the Ten-Year Capital Plan

Positive impacts on the City’s ten-year capital plan and financing sources as a result of these changes include:

- 1. ICIP-PTS Other Government Funding – The PTS funding (\$119.3 million) currently budgeted in RT1430-2 and RT1430-6 will be transferred to MU1450. This will provide for utilization of this funding within the deadlines and parameters of the ICIP-PTS program. Existing approved funding is available in MU1450 to fund the municipal cost-sharing requirement for this project as shown in the chart above.
- 2. All of the required funding adjustments come from either currently available capital plan funding or currently available debt financing.
- 3. The balances in the City’s reserve and reserve funds are maintained and not encumbered by this significant project as a result of the proposed financing strategy. Thus, they are available to support development of the City’s 2024 to 2027 Multi-Year Budget, including Council’s new Strategic Plan.

The following impacts on the City’s ten-year Capital Plan and Financing Sources should also be noted:

1. This strategy reallocates the available ICIP-PTS funding from the North and West rapid transit corridor capital projects, subject to Council approval of this report.

Moving this funding will reduce the available budgets for each of these capital projects, but both the tax-supported and development charge funding will be maintained. The Mobility Master Plan (MMP) will continue to plan the future transit services required for the rapidly growing north and west areas of the city. 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.

2. New Tax Supported Debt Financing - Additional tax supported debt financing is recommended in 2022. This additional tax supported debt financing added to the City's 2022 capital budget will eventually materialize into issued debt and subsequent debt servicing payments in the operating budget. The debt servicing costs will need to be incorporated in the debt servicing budget (perhaps as soon as the latter years of the 2024-2027 Multi-Year Budget), which may result in impacts to the property tax levy at that time. This will also impact the metrics reviewed by Moody's, the City's credit rating agency, when formulating their commentary on the health of the City's finances. As this additional financing falls within existing internal debt controls, it is unlikely this would negatively impact the City's Aaa credit rating.

In general, 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 is significant. Solidifying a contribution from the ICIP-PTS program, along with the proposed budget adjustments, 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 sustainability of the City.

3.3 Funding Strategy for LTC Highbury Facility Project 2

Currently there is significant budget available in MU1450 to make a matching municipal contribution that exhausts the remaining ICIP-PTS funds allocated to the City.

A funding request for Project 2 of the LTC Highbury Facility Demolition and Rebuild will be incorporated into the 2024 to 2027 Multi-Year Budget. This project represents a significant investment in the City's infrastructure and, as such, ought to be evaluated and prioritized among all of the City's competing priorities during future budget deliberations. It should be noted that partial funding for Project 2 remains available in the capital forecast for project MU1450 in the form of capital levy that is not required to be advanced to fund the municipal portion of Project 1.

Additionally, should future funding programs arise to offset the cost of Project 2 via contributions from other levels of government, applications to available future funding programs will be prioritized for this initiative. On February 11, 2020, Municipal Council directed Civic Administration to work together with the London Transit Commission, the provincial government and the federal government to identify investment streams to be used for the purchase of electric buses and related charging infrastructure. An application to the Zero Emission Transit Fund offered by Infrastructure Canada could be considered for Project 2 as well as some of the electric bus fleet.

Conclusion

A new LTC Highbury Avenue Facility is needed to replace an existing facility that is well 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. Further, a new facility is also critical to advancing the electrification of the transit fleet and needs to be operational by as early as 2028 depending on the pace of replacement of the existing fleet. Submitting LTC's facility as an ICIP-PTS application while the funds remain available is a prudent use of the funding opportunity that also compliments the Mobility Master Plan and Climate Emergency Action Plan and aligns with the revised submission and construction schedules released through the Federal Budget in April of 2022.

Recommended by: **Kelly J. Scherr**
 Deputy City Manager, Environment & Infrastructure

Anna Lisa Barbon
Deputy City Manager, Finance Supports

Concurred by: **Kelly Paleczny**
 General Manager, London Transit Commission

Cc: Lynne Livingstone, City Manager
 Adam Thompson, Manager, Government and External Relations
 Kyle Murray, Director, Financial Planning & Business Support

Appendix "A"

#22157
December 6, 2022
(Establish Budget)

Chair and Members
Strategic Priorities and Policy Committee

RE: Investing in Canada Infrastructure Program Public Transit Stream (ICIP-PTS) - London Transit Commission
Highbury Avenue Facility Demolition and Rebuild - Project 1
MU1450 - LTC Highbury Facility Demolition and Rebuild

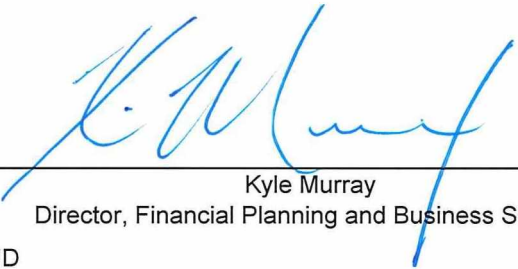
Finance Supports Report on the Sources of Financing:

Finance Supports confirms that the financing for this project can be accommodated via transfers within the Capital Plan and the addition of unbudgeted and available debt financing and that, subject to the approval of the recommendations of the Deputy City Manager, Finance Supports and the Deputy City Manager, Environment and Infrastructure, the detailed source of financing is:

Estimated Expenditures	Approved Budget	Additional Requirement (Note 1)	Revised Budget
Engineering / Design	0	12,000,000	12,000,000
Construction	0	182,500,000	182,500,000
Other	0	5,000,000	5,000,000
Total Expenditures	\$0	\$199,500,000	\$199,500,000
Sources of Financing			
Debenture - Budgeted debt financing in MU1450 advanced from 2029 and 2031	0	64,621,996	64,621,996
Debenture - New tax supported debt financing	0	15,533,837	15,533,837
Other Government Funding - Budgeted ICIP-PTS funding transferred from RT1430-2 (A,D,E,F) and RT1430-6 (A,D,E,F)	0	119,344,167	119,344,167
Total Financing	\$0	\$199,500,000	\$199,500,000

Note 1: The funding requirement for Project 1 of the LTC Highbury Facility Demolition and Rebuild can be accommodated by advancing currently budgeted debt financing in MU1450, transferring budgeted PTS funding from the Rapid Transit North and West projects, and adding available debenture financing under the City's internal debt cap.

Note 2: Funding for Project 2 of the LTC Highbury Avenue Facility will be requested via a business case in the 2024 to 2027 Multi-Year Budget.



Kyle Murray
Director, Financial Planning and Business Support

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