

To All Commissioners

Re: 2026 - 2035 Capital Budget Program

**Recommendation**

The Commission:

- i) APPROVE the 2026 capital budget program of \$37,046,000 comprised of the following programs:

<b>Program</b>	<b>Units</b>	<b>Amount</b>
Bus replacement	17	\$ 17,774,000
Bus expansion (ICIP)	11	11,033,000
Bus expansion	1	1,003,000
Facility upgrades		500,000
Highbury Facility Rebuild		5,835,000
Information system software and hardware		500,000
Shop and garage equipment		200,000
Service fleet replacement		155,000
Stop upgrades		46,000
<b>Total</b>	<b>29</b>	<b>\$ 37,046,000</b>

<b>Funding</b>	<b>Amount</b>
Province of Ontario (Provincial gas tax)	\$ 1,790,700
LTC Capital Program Reserve Fund	901,000
City of London	19,183,600
Federal gas tax program - C/L	2,500,000
Provincial - ICIP Project Funding	5,303,200
Federal - ICIP Project Funding	6,364,500
Funding TBD	1,003,000
<b>Total</b>	<b>\$ 37,046,000</b>

noting identified funding from the City of London of \$19,183,600 and Federal Gas Tax program of \$2,500,000 is subject to the approval of Municipal Council as part of the City of London’s 2026 budget approval process; and

- ii) DIRECT administration to submit the recommended 2026 Capital Budget Program, and provisional estimates for 2027 to 2035 to civic administration consistent with the City of London’s reporting format.

**Background**

The recommended 2026-2035 capital budget program as summarized in Enclosure I is predicated on a strategy that focuses investment on maintaining infrastructure in a state of good repair and providing growth capital investment necessary to support the provisional operating estimates for the original 2024-2027 multi-year budget, and subsequently updated for 2025 & 2026. This capital program is also presented in keeping with the Commission’s Asset Management Plan, 2024-2027 Business Plan and support for the Five-Year Service Plans.

The following sets out discussion specific to each of the more significant areas of the Capital Budget Program.

*New Bus Program*

The capital budget for the ten-year period of 2026-2035 calls for the purchase of a total of 222 new replacement and expansion buses at an estimated cost of approximately \$256.8 million. It should be noted that the cost estimates are based on the price of a diesel bus. Once the Electric Bus Pilot is underway and the Fleet Transition Plan has been updated and approved by the Commission, the bus costs will be adjusted to be reflective of the chosen technologies going forward.

<b>2026-2035 New Bus Purchases</b>		
<b>Description</b>	<b>Total Units</b>	<b>Amount</b>
Bus Replacement	170	\$ 199,107,200
Bus Expansion (ICIP)	11	11,033,000
Bus Expansion (City funded)	41	47,346,200
<b>Total</b>	<b>222</b>	<b>\$ 257,486,400</b>

The bus costs included in the table above are based on the 2025 base price of 40' and 60' foot diesel buses contracted for 2024-2027 with New Flyer Industries Canada, plus estimated CPI per the contract. Further discussion with respect to the funding allocations is provided below in each of the specific programs relating to new bus purchases.

#### *Bus Replacement Program*

A key component of the fleet management strategy was the establishment of a progressive fleet replacement program targeted to reach and maintain an average fleet age of six years, consistent with the Commission's Asset Management Plan. Based on this strategy, over the period of 2026-2035, a total of 170 replacement buses are scheduled to be purchased requiring a total investment of approximately \$199.1 million.

The table below sets out the breakdown of the Bus Replacement program as well as a summary of the funding requirements over the period of 2026-2035.

<b>Summary 2026-2035 Bus Replacement Program</b>						
<b>Description</b>	<b>2026</b>		<b>2027-2035</b>		<b>Total</b>	
	<b>Units</b>	<b>Amount</b>	<b>Units</b>	<b>Amount</b>	<b>Units</b>	<b>Amount</b>
40' Diesel Bus	15	\$ 14,148,000	149	\$ 168,107,600	164	\$ 182,255,600
60' Diesel Bus	2	2,878,000	4	6,061,800	6	8,939,800
Ancillary Equipment		748,000		7,163,800		7,911,800
		\$ 17,774,000		\$ 181,333,200	170	\$ 199,107,200
<b>Funding</b>		<b>Amount</b>		<b>Amount</b>		<b>Amount</b>
Provincial Gas Tax		\$ 1,790,700		\$ 1,852,300		\$ 3,643,000
City of London		13,483,300		145,280,100		158,763,400
Federal Gas Tax - C/L		2,500,000		22,500,000		25,000,000
Funding TBD		-		11,700,800		11,700,800
<b>Total</b>		\$ 17,774,000		\$ 181,333,200		\$ 199,107,200

Historically, Provincial Gas Tax (PGT) was utilized to cover approximately 1/3 of the costs of this program. However, during the 2024-2027 multi-year budget setting process for both the operating and capital budget programs, a shift away from utilizing PGT to fund ongoing capital programs was approved given ongoing funding was not sufficient to cover both capital and operating requirements. As a result, funding for this program for 2024 going forward was budgeted to be funded from the City of London, either by way of the capital levy or non-rate supported sources such as Federal Gas Tax.

The contract for London Transit Commission's 2024-2027 diesel bus requirements was tendered and awarded in April 2024, after the development and approval of the 2024-2033 multi-year budget (MYB) capital budget program. The resulting bus price from the contract award was greater than the levels included in the approved plan, as were the costs associated with additional requirements for ancillary equipment necessary when outfitting the buses for service. The updated prices have been reflected in each of the Bus Replacement Program's costs (as noted in the table above), as well as the Bus Expansion Program discussed below.

As the result of this pricing update and noting the program is fully funded by the City of London, an amended business case was submitted and approved as part of the City's 2025 budget cycle calling upon the use of PGT to fund these increases. To offset the resulting operating budget shortfall created by reclassifying this portion of PGT funding to capital, it was approved that the annual surplus that results from the timing of implementation in service growth hours will be utilized, noting that in each year the implementation of conventional service growth (in hours) commences in September, rather than January. This implementation schedule has historically resulted with an in-year surplus compared to the approved annualized City funding levels.

The above approved business case addressed the issue through the current MYB (2024-2027) but updates to the capital funding for the next MYB cycle will be necessary for the years beyond 2027. As a result, this unfunded portion of the capital project has been identified as TBD, consistent with the reporting in 2025. London Transit administration will continue to work with civic administration to identify sources of funding to cover the unfunded portion, and will include same in the next multi-year budget submission.

#### *Bus Expansion Program*

The 2025-2034 capital budgets for bus expansion support the continued growth and expansion of the conventional transit service. Bus expansion is broken into two programs in the 10-year capital forecast; expansion buses funded under the current Investing in Canada Infrastructure Program (ICIP) Bus Expansion Program, and those required once the ICIP program is completed.

After the completion of the 10-year capital forecast associated with the multi-year budget process, the Commission approved the 2024-2027 Business Plan and supporting Five Year Service Plans for the conventional and specialized services. The expansion bus requirements associated with service improvements set out in the 2025-2029 Conventional Service Plan are significantly higher than estimates

included in the 10-year capital forecast. The need for additional expansion buses is due to the nature of the service improvements being recommended, noting they primarily occur during weekdays and peak operating times, when there is no ability to increase service levels without the addition of a bus.

The table below sets out the breakdown of the two programs as well as a summary of the total bus expansion requirements over the period of 2026-2035, which has been updated to reflect the expansion bus requirements set out in the 2025-2029 Conventional Service Plan.

<b>Summary 2026-2035 Bus Expansion Program</b>						
<b>Description</b>	<b>2026</b>		<b>2027-2035</b>		<b>Total</b>	
	<b>Units</b>	<b>Amount</b>	<b>Units</b>	<b>Amount</b>	<b>Units</b>	<b>Amount</b>
Bus Expansion (ICIP)	11	\$ 11,033,000	-	\$ -	11	\$ 11,033,000
Bus Expansion (City funded)	1	1,003,000	40	46,343,200	41	47,346,200
	12	\$ 12,036,000	40	\$ 46,343,200	52	\$ 58,379,200

  

<b>Funding</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
City of London	\$ 2,942,500	\$ 26,854,000	\$ 29,796,500
Province of Ontario (ICIP)	3,677,300	-	3,677,300
Government of Canada (ICIP)	4,413,200	-	4,413,200
Funding TBD	1,003,000	19,489,200	20,492,200
<b>Total</b>	<b>\$ 12,036,000</b>	<b>\$ 46,343,200</b>	<b>\$ 58,379,200</b>

As noted in the table above, approximately \$20.5 million pertaining to the Bus Expansion Program is currently listed as TBD. This shortfall is due mainly to an increase in the number of growth in buses required for the Five Year Service Plan, as well as the increased costs for buses and ancillary equipment discussed above. Similar to the Bus Replacement Program, administration will continue to work on identifying a source of funding to cover the shortfall, and will provide further details when the re-costed budget is presented in the first quarter of 2026.

The twelve expansion buses included in the 2026 budget will be utilized to implement the planned service growth in 2026 and 2027. The order was placed in February 2025 along with the 2026 replacement buses (see Staff Report #1 dated February 26, 2025) in light of the extended delivery timelines being experienced for buses.

The Expansion Bus Program does not include the additional bus requirements related to the implementation of bus rapid transit as this is included in the Rapid Transit Business Case, which has been separately approved by Municipal Council.

#### *Facility Upgrades – Demolish/Rebuild Highbury Facility*

Summary particulars for the 2026-2035 facility upgrade programs are set out in the table below.

<b>Summary 2026-2035 Facility Upgrade Program</b>			
<b>Description</b>	<b>2026</b>	<b>2027-2035</b>	<b>Total</b>
Annual Facility Upgrades	\$ 500,000	\$ 4,658,100	\$ 5,158,100
Demolish/Rebuild Highbury Facility	5,835,000	315,830,000	321,665,000
	\$ 6,335,000	\$ 320,488,100	\$ 326,823,100

  

<b>Funding</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
City of London	\$ 2,757,800	\$ 208,401,600	\$ 211,159,400
ICIP – Provincial	1,625,900	50,945,500	52,571,400
ICIP - Federal	1,951,300	61,141,000	63,092,300
Senior Government	-	-	-
	\$ 6,335,000	\$ 320,488,100	\$ 326,823,100

Notwithstanding the Highbury Facility Replacement Project, regular maintenance is still required at both the Highbury and Wonderland facilities. This program covers costs associated with building structure, building systems (heat, light, water, air, etc.) as well as grounds. The annual \$500,000 allocation is generally split between the two facilities depending on where the need is in any given year. For 2025, work under this project included asphalt and concrete repair, overhead exhaust replacements, heating and air conditioning system maintenance, maintenance of security cameras, and an additional fuel lane at the Wonderland facility.

Phase I of the Highbury facility replacement project (\$194,500,000) has received approval from the Federal Government to proceed. A tender inviting proposals from consulting engineering / architectural firms to act as prime consultants for the design, tender call, and supervision of the demolition and construction of the facility has been issued. Costs included for 2025 through 2027 are estimates of the work covered by the tender with demolition and construction anticipated to begin in 2028. Phase II of this project represents the portion of the rebuild that could not be completed within the available funding envelope when the project was approved. Phase II is budgeted to begin in 2031 at a projected cost of \$133,000,000 with funding yet to be determined.

### *Information System Software and Hardware*

For 2026-2035, \$5.0 million has been identified for both new and upgraded system software as well as for new and replacement network/server/workstation infrastructure requirements as set out in the table below.

<b>Summary 2026-2035 Information System Hardware/Software</b>			
<b>Description</b>	<b>2026</b>	<b>2027-2035</b>	<b>Total</b>
Information systems HW/SW	\$ 500,000	\$ 4,500,000	\$ 5,000,000
<b>Funding</b>			
LTC Capital Program Reserve	\$ 500,000	\$ 4,500,000	\$ 5,000,000

In addition to the regularly required hardware replacements, a number of larger projects have been identified for consideration in the remainder of the multi-year budget period including:

- Interactive Voice Response system replacement
- ESRI GIS upgrade
- Website Update/Revamp
- Parklane software replacement (HR Employee tracking system)
- Platinum Accounting Replacement

These projects will be further assessed and prioritized as part of the annual planning process, and those selected for implementation in 2026 will be included in the 2026 Work Program, which is tabled annually with the Commission for approval at the January meeting. The Information System software and hardware program is fully funded from the LTC capital program reserve fund.

### *Shop and Garage Equipment*

The table below sets out the budgeted requirements for the Shop and Garage Equipment Program for 2026 as well as the remaining nine years covering 2027-2035.

<b>Summary 2026-2035 Shop and Garage Equipment</b>			
<b>Description</b>	<b>2026</b>	<b>2027-2035</b>	<b>Total</b>
Shop and Garage Equipment	\$ 200,000	\$ 1,800,000	\$ 2,000,000
<b>Funding</b>			
LTC Capital Program Reserve	\$ 200,000	\$ 1,800,000	\$ 2,000,000

Shop and garage equipment includes such items as steam cleaners, skid steer, forklift, pallet trucks, lifting equipment/systems, floor sweeper/scrubber as well as bus maintenance and servicing tools. The items purchased are based upon need (for new equipment) and useful life assessment when dealing with equipment replacement. The expenditure covers shop and equipment needs at both the Highbury and Wonderland facilities. The program expenditures are fully funded from the capital program reserve fund.

### *Service Fleet Replacement*

London Transit maintains a service fleet of ten vehicles. The vehicles are used by Operations staff (Inspectors) as well as Planning and Maintenance staff e.g., mobile mechanic. The replacement of the vehicles is generally based upon a five-to-10-year lifespan dependent upon the nature and use of the vehicle. The vehicles to be replaced are subject to mechanical and structural assessment. Vehicle replacements range between one and two vehicles per year, based on the state of repair. The table below sets out the budget allocation for the Service Fleet Replacement project covering 2026 as well as the period from 2027-2035, noting all investment in this program is fully funded from the capital program reserve fund.

<b>Summary 2026-2035 Service Fleet Replacement</b>			
<b>Description</b>	<b>2026</b>	<b>2027-2035</b>	<b>Total</b>
Service Fleet Replacement	\$ 155,000	\$ 765,000	\$ 920,000
<b>Funding</b>			
LTC Capital Program Reserve	\$ 155,000	\$ 765,000	\$ 920,000

### *Stop Upgrades*

The Stop Upgrade Program as set out in the table below, covers the costs associated with installing new stop locations as well as the annual expansion of the passenger shelter program and installation of cement pads. The budget allocation is adjusted annually to coincide with the work required based on the annual service plan. The table below sets out the budget allocations noting this program is fully funded from the Capital Program Reserve Fund.

<b>Summary 2026-2035 Stop Upgrades</b>			
<b>Description</b>	<b>2026</b>	<b>2027-2035</b>	<b>Total</b>
Annual Bus Stop Upgrades	\$ 46,000	\$ 414,000	\$ 460,000
<b>Funding</b>			
LTC Capital Program Reserve	\$ 46,000	\$ 414,000	\$ 460,000

*Reconciliation with City of London Format*

Subsequent to Commission approval, administration will work to reformat the 2026-2035 Capital Budget Program to be consistent with the standard presentation format utilized for all civic departments, boards and commissions, noting that amendment business cases for both the Bus Replacement Program and the Bus Expansion Program will also be submitted reflecting the changes noted above.

**Enclosure**

I – Summary 2026-2035 Capital Budget Program

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