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Presented by: Tom Kumka, Fleet Manager, Public Ops

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**8.5**

**2026 TRAN-001 Transit Bus Funding Increase**

Presented by: Tom Kumka, Fleet Manager, Public Ops

**RECOMMENDED MOTION(S)**

That the budget for Municipal Repair Maintain Replace (RMR) Capital Charter TRAN-001 Transit Bus Lifecycle Replacement for 2026 be increased by \$963,300 for a total budget of \$9,230,300 to be funded from the Transit Lifecycle Reserve with goods and/or services not to be received until after January 1, 2026.

**PURPOSE OF REPORT**

To request an increase in funding for budget Municipal Repair Maintain Replace (RMR) Capital Charter TRAN-001 (2026), in order to continue with procurement of nine buses in 2026 that are part of lifecycle replacement plan.

**BACKGROUND AND DISCUSSION**

Municipal Repair Maintain Replace (RMR) Capital Charter TRAN-001 Transit Bus Lifecycle Replacement was approved in the amount of \$9,250,700 in 2025 and \$8,267,000 in 2026 for the lifecycle replacement of 17 buses, eight and nine in each year, respectively. This was carried by Council on August 29, 2023 via AR-23-417.

The funding provided is intended to procure a total of 19 buses, two for growth and purchase in 2024, eight for lifecycle replacement in 2025, and nine for lifecycle replacement in 2026. The multi-year

approval permits procurement of long delivery items for the year that they are budgeted and seeks to gain efficiencies through ordering larger quantities of the assets.

The procurement activities began in December of 2023. In consideration of pricing volatility and to balance risk allocation of cost inflations, firm pricing was requested for budget years 2024 and 2025 only. This was intended to prevent inflated risk pricing for the 2026 buses. These buses would not be immediately entering the suppliers' production and would not have "locked-in" pricing that may be subject to escalation between City procurement and supplier commencing production.

The approval of AR-24-207 on May 7 allowed for the negotiation for the 2026 buses with the successful supplier. In consultation with this manufacturer and other transit agencies, there is a risk that diesel engine availability will become increasingly lower in the near future. In order to preserve short term sustainability of the Transit lifecycle replacement program, early negotiation with the current manufacturer began. This negotiated pricing for 2026 buses is consistently higher than the values estimated in 2023 RMR approved asks but is comparable to 2024/2025 bus pricing. Proceeding with the 2026 lifecycle replacements with this manufacturer at this time allows for current pricing, without inflated risk pricing but will still allow for delivery in 2026.

By going forward with this, prices will be "locked-in" on the buses required for lifecycle replacement in 2026 and not delivered or paid for until January 1<sup>st</sup>, 2026. Following the contract award for the 2024 and 2025 buses, one of the two Canadian Bus manufacturer's has confirmed that they will no longer be building transit buses with diesel engines after year end 2025. With minimal competition, future price volatility is a concern.

## STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

N/A

## IMPACTS OF RECOMMENDATION(S)

### Financial:

The budget for TRAN-001 for 2026 be increased by \$963,300. This project is funded from the Transit Lifecycle Reserve, but Administration would look for grant opportunities. As approval is for 2026, the buses will not be received until after January 1, 2026.

The lifecycle reserves are managed through capital asset lifecycle replacement schedules that project funding requirements for the next ten years. To ensure the reserves have sufficient funds to manage the annual replacement over the ten year period and to stabilize tax impacts, they are funded through an annual transfer from the Operating Budget.

### Compliance & Legal:

Given the nature of this procurement, the purchase requires a commitment to the purchase of the 2026 buses to the supplier, at the fixed pricing submitted. A revision of quantity requested would require further negotiation and would be subject to potential price increases due to loss of economies of scale if the quantities were reduced.

### Program or Service:

Lifecycle of the conventional transit fleet is 18 years, this was increased from 15 years back in 2012. Approval would help procure the buses in a manner that would decrease further extensions past the

18 year lifecycle, reducing down-time, scheduled risk and operational costs.

Postponement of purchasing the buses designated for lifecycle replacement may potentially impact current transit service levels due to increased unavailability of buses, due to maintenance requirements. As of 2024, the conventional transit fleet of 62 buses consists of 3 buses that are 19 years old, 7 buses that are 18 years old, 13 buses that are 17 years old and 14 buses that are 15 years old.

Organizational:

None at this time.

Risks

The recommendation positions the City for sustaining currently identified Transit service levels.

If transit buses, component parts or support equipment are not replaced in a timely manner, unscheduled breakdowns and additional maintenance costs are expected.

Cancellation of transit service would be the ultimate result of not following the replacement schedule.

**ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN**

None at this time.

**ALIGNMENT TO LEVELS OF SERVICE DELIVERY**

E.1 - Public Transit

E.1.1 Conventional Fixed Route Transit Services - Provision of convenient, affordable, and effective public transit services within St. Albert and to major destination areas in Edmonton, including Downtown, the University of Alberta, NAIT/Royal Alexandra Hospital, and West Edmonton Mall.

**ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION**

AR-23-417 (passed by Council August 29, 2023)

That the Municipal Repair Maintain Replace (RMR) Capital Charter Tran-001 Transit Bus Lifecycle Replacement be approved for \$9,250,700 in 2025 and \$8,267,000 for 2026 to be funded from the Transit Lifecycle Reserve with goods and/or services not to be received until after January 1 of 2025 and 2026 respectively.

AR-24-207 (passed by Council May 7, 2024)

1. That the budget for Municipal Growth Capital Charter TRAN-004 Transit Growth Buses (Project 424351) be increased by \$213,500 for a total budget of \$1,833,500 to be funded from Capital Reserve.
2. That the budget for Municipal Repair Maintain Replace (RMR) Capital Charter TRAN-001 Transit Bus Lifecycle Replacement for 2025 be increased by \$1,265,250 for a total budget of \$10,515,950 to be funded from the Transit Lifecycle Reserve with goods and/or services not to be received until after January 1, 2025.

## IMPACTS OF ALTERNATIVES CONSIDERED

Alternative 1 - Do nothing. This would not increase funding to 2026 Municipal Repair Maintain Replace (RMR) Capital Charter TRAN-001 Transit Bus Lifecycle Replacement and administration would purchase one less 60 foot bus to stay within budget. This bus would then be extended to 19 years and purchased in 2027, at an increased cost.

Financial - N/A

Compliance and Legal - The procurement will be cancelled or changed.

Programs or Service - Transit service levels would not be sustainable by delaying the lifecycle replacement due to increased maintenance activities with the existing fleet.

Organizational - N/A

Risks - Risk of reduced transit service levels and non-compliance with Transit policies.

Report Date: June 18, 2024

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