

MEMORANDUM

Subject: Canada Public Transit Fund – Expression of Interest Submission

Date: February 18, 2025

To: Niagara Transit Commission Board

From: Heather Talbot, Manager of Integration and Transformation

Key Facts

- The purpose of the report is to inform the Board of the new permanent Canada Transit Funding program beginning in 2026-27.
- The Canada Public Transit Fund (CPTF) will provide \$3 billion per year for public transit and active transportation infrastructure across Canada, beginning in 2026-27 and will include 3 funding streams: Metro-Region Agreements, Baseline Funding, and Targeted Funding.
- The Metro-Region Agreement (MRA) program eligibility criteria has been approved to now include Niagara under the Greater Golden Horseshoe area. An expression of interest to participate in the MRA stream was submitted jointly by the NTC and the Niagara Region on January 15, 2025.
- The Baseline funding stream, which is estimated to be an annual envelope of approximately \$500 million, will provide stable and predictable funding to address the long-term capital transit goals of the NTC. The NTC submitted their expression of interest for the Baseline Funding stream and received a notional 10-year allocation of \$35,659,510 or approximately \$3.57 million annually. The portal opened on Dec 17th to submit capital plans; the portal will remain open for submissions to occur throughout the year.
- The Targeted funding program, which will replace the existing Zero Emission Transit Fund (ZETF), may be used by the NTC to subsidize the incremental costs associated with fleet and infrastructure transitioning to zero-emission technology.

Financial Considerations

Financial impacts pertaining to the new Housing, Infrastructure, and Communities' Canada Public Transit Fund will be submitted for approval during the NTC's annual budget process following the completion of the recommendations resulting from the NTC Master Plan in Q3 of 2025. There are no financial impacts to the current approved 2025 budget. Any impacts will be included in future budget submissions for approval.

Analysis

Currently, Ontario transit agencies rely on the annual Provincial Gas Tax (PGT) program to help alleviate the local tax burden related to capital replacements and transit expansions within their communities. Historically, Federal transit programs have been announced with one-time funding envelopes and restricted spending windows. However, this year the Canada Public Transit Fund (CPTF) was announced indicating the federal government intended to provide \$3 billion per year for public transit and active transportation capital infrastructure across Canada, beginning in 2026-27 as a permanent ongoing program. This fund will provide stable and predictable funding to address long-term transit goals with the following targeted objectives:

- Increase the use of public transit and active transportation relative to car travel
- Increase the housing supply and affordability as part of complete, transit-oriented communities
- Help mitigate climate change and improve climate resilience
- Improve public transit and active transportation options for all, especially Indigenous People and equity-deserving groups.

The CPTF will be funded and delivered across three streams:

Metro-Region Agreements

- Supporting the long-term development of public transit infrastructure in large urban areas; planning and construction of a broad range of projects, including major expansion.
- Offer predictable funding in regions with the highest demand for public transit and active transportation funding, where travel patterns often cross municipal boundaries and encourage long-term integrated planning within large urban areas.

-
- Agreements are underpinned by strategic planning that integrates housing, land use, and other related needs. The program is yet to be finalized but Niagara has now been included in the Greater Golden Horseshoe urban area within the updated application.

Targeted Funding

- Provides flexible, call-specific funding to address federal priorities that meet local needs. Funding will cover areas such as rural transit in areas with populations under 150,000, active transportation and zero emission solutions.
- The new Targeted Funding stream will replace projects which previously applied for funding under the Active Transportation Fund, the Rural Transit Solutions Fund and the Zero Emission Transit Fund.

Baseline Funding

- The primary objective of the Baseline Funding stream is to support communities with existing public transit systems.
- Provides predictable, long-term funding to communities with existing transit systems to support routine investments, with an expected focus on public transit and active transportation system expansions, improvements, and capital state of good repair.
- The Baseline Funding stream for all of Canada is an approximately \$500 million annual envelope that is part of the federal government's average \$3 billion per year CPTF program and focuses on funding capital and non-capital (planning projects) for public transit.
- The Baseline Funding stream has been announced, and the current government has committed to an additional notional 10-year allocation of \$35,659,510 or approximately \$3.57 million annually for use at the Niagara Transit Commission. Allocations were determined based on ridership and population.

In 2023, the NTC received over \$68 million in previously approved capital projects via amalgamation, which were primarily funded with Investing in Canada Infrastructure Program (ICIP) and PGT dollars. To date, approximately \$38 million in projects are either complete or in progress, with an additional \$30 million pending until the completion of the NTC's comprehensive Facility and Strategic Asset Master Plan.

In addition to the above capital projects, the NTC submitted ICIP applications in the fall of 2022 after amalgamation for fleet replacements between 2024 – 2030 and the facility master plan totaling \$111 million with an approved Provincial and Federal contribution

of \$81 million. At the time of the funding application, the NTC did not have a completed comprehensive fleet electrification study therefore future replacements were assumed to remain with current diesel technology. The current estimated cost increase of a zero emissions vehicle in comparison to a diesel vehicle is roughly \$300,000 per vehicle. Given the NTC's current fleet size and assuming a 12-year replacement cycle, this would increase a 12-year conventional fleet replacement forecast by \$45 million (\$3.75 million per year).

The NTC has submitted an Expression of Interest (EOI) through the ZETF program to request funding in support of the Fleet Electrification capital projects as submitted in the 2025 capital budget. The capital submission is for 17 battery electric buses (BEBs) for fixed route transit services in St. Catharines as part of a BEB Pilot project identified in the St. Catharines Transit Commission BEB Feasibility Study (2021). The battery electric buses will add to the capacity of NTC's existing diesel bus fleet. The NTC will also require depot modifications and upgrades for capacity enhancements to the existing electrical infrastructure and modifications in the maintenance area. NTC plans to install chargers within the depot and on-route for the planned pilot deployment. The ZETF program will support up to 50% of capital costs. In addition to this Federal program the NTC will be seeking additional federal infrastructure funding through the Canadian Infrastructure Bank (CIB).

The CIB is currently working with public transit owners regarding Zero Emission Buses (ZEBs), where bus owners can use their financing to accelerate the modernization of bus fleets. This financing, in the form of direct loans, can cover the higher upfront capital costs of ZEBs. Loan repayments are sourced from actual savings generated by the lower cost of operating ZEBs compared to the higher cost of operating diesel buses.

The NTC submitted an EOI for Baseline Funding which closed September 16, 2024. Confirming our eligibility, a notional 10-year allocation of \$35,659,510 or approximately \$3.57 million annually was announced for the NTC. The NTC has been invited to submit our capital plan to support our application. The Federal cost share on submitted capital applications is 40%. At this time there has been no announcement for Provincial matching like previous ICIP programs. For projects with Canada Infrastructure Bank (CIB) involvement, the CIB portion of funding may also bring the maximum federal contribution up to 100%.

The NTC would look to submit capital projects identified throughout the triple majority process or new capital projects identified in either the Master Plan or Fleet

Electrification Strategy which are currently underway during the first intake for the Baseline Funding. The NTC will come back to the Board with a list of identified projects prior to submission.

Alternatives Reviewed

All new Federal funding options were identified within this report; no alternatives were evaluated.

Relationship to Niagara Transit Commission Strategic Priorities

Affordability: By expressing interest and applying for, receiving permanent Federal funding to utilize for capital investment, it allows to NTC to maintain or expand transit services while simultaneously reducing the financial burden of local taxpayers.



Prepared by:
Heather Talbot
Manager of Integration and
Transformation



Submitted by:
Carla Stout, DPA
General Manager

This report was reviewed by Anneli Thomson, Legal Counsel and Stephanie Muhic, Senior Program Financial Specialist Niagara Region

Appendices

Appendix 1 CPTF Signed Letter to Jim Bradley