

FINANCE COMMITTEE REPORT

Report Date	May 14, 2024
Meeting Date	May 22, 2024
Service Area	Public Works and Transportation Services

Chairman Sullivan and Members of Finance Committee

SUBJECT: Transit Purchase Electric Vehicles – Request for 2023 2024 Capital Budget Adjustment

OPEN OR CLOSED SESSION

This matter is to be discussed in open session of Finance Committee.

AUTHORIZATION

Primary Author(s)	Commissioner/Dept. Head	Chief Administrative Officer
<i>Ian MacKinnon</i>	<i>Michael Hugenholtz</i>	<i>J. Brent McGovern</i>

RECOMMENDATION

It is recommended the Finance Committee approve an adjustment to the 2023 and 2024 capital budgets to enable the residual lease buyout of six (6) twenty-foot Karsan E-Jest Electric Buses from Damera Leasing Canada Corp. at a total cost of \$1,662,111.24 plus HST.

EXECUTIVE SUMMARY

In March 2022, the Finance Committee directed Saint John Transit and staff to submit a funding application to Infrastructure Canada’s Zero Emission Transit Fund (ZETF), as part of the Transforming Transit Project. The dollar value of the application is \$22,580,000 distributed over the completion of project elements over multiple years. The structure of the funding application is the City committing 50% of the dollar value (\$11,290,000) and the ZETF is responsible for the remaining 50% (\$11,290,000). This application includes the purchase of twenty-four (24) zero emission buses and Pavilion Style fast charge station strategically located on its fixed Transit route network.

In 2023, as part of the Transforming Transit project, Saint John Transit launched its On-Demand Flex service in three (3) zones of the city utilizing six (6) twenty-foot Karsan E-Jest Electric Buses. The electric buses were leased for a term of twelve (12) months with the option to extend it by an additional six (6) months. Saint John Transit is currently beginning month five (5) of the six (6) month extension. The supplier recently and unexpectedly indicated there is no ability to extend the lease further. Originally when the decision was made to lease, there were several reasons to do so: including vehicle availability, interest rates and outside funding availability. The single largest driver was the anticipation of Zero

Emission Transit Fund (ZETF) award allowing for an outright purchase of these vehicles. Unfortunately, to date, Saint John Transit has yet to receive a response on the successful award of the ZETF application.

REPORT

The Zero Emission Transit Fund was created to help remove key barriers impeding the deployment of zero emission buses through providing funding for planning, the procurement of buses and ancillary infrastructure required to support zero emission buses.

With the approved direction from Finance Committee in March of 2022 to submit a ZETF application, Saint John Transit worked with a partner and crafted a very detailed criteria-based application which was submitted late June 2023. In July of 2023, Saint John Transit received a few clarifying questions from ZETF staff but, nothing substantial since. Indications are Saint John Transits application is complete and no further clarity required. To date Saint John Transit has not received an award and Saint John Transit continues to frequently inquire about status.

Capital budgeting in 2023 and 2024 was structured to support this ZETF application. The total capital budget for Saint John Transit in each of these years was set aside to become a portion of the city share (11,290,000) or 50% supporting this application. A subset of each of these capital budget years included \$878,880 in 2023 and \$1,050,000 in 2024 for bus purchases.

Since launching the On- Demand service with these six electric buses there have been several financial environmental changes along with key operational learnings. Interest rates and supply chain issues continue to be a challenge in 2023 and so far in 2024. Increase in interest rates and supply chain issues have caused price increases with just about everything. At the time Saint John Transit executed the lease, the price per bus committed in the document was \$323,000. The purchase price now is close to \$390,000 per Bus. Also, the lease cost of financing was very low, close to zero, and now is approximately 7%. In addition, delivery times for buses have changed and now can be nine (9) to fourteen (14) months.

From an operational perspective, each twenty-foot electric bus is priced at \$390,000, while a 40-foot diesel-powered bus is close to \$800,000. Comparing the cost of one to the other is not just a price-to-price comparison. Long term maintenance costs comparison will take several years and is currently unknown. Intuitively, thus far, it looks favorable for electric vehicles. With electric Saint John Transit must consider the cost of charging infrastructure and how long the charge lasts in terms of Kms. Most things being considered, Saint John Transit

can charge a bus overnight for approximately \$6 to \$13 and then utilize for 200 - 220Kms of service. A traditional diesel powered forty-foot bus can travel 1.95 kilometers per litre of fuel and the price of diesel is roughly \$2 per. This equates to \$225 in cost for the same 220 kilometers.

PREVIOUS RESOLUTION

At a previous Finance Committee Meeting on March 23, 2022, it was resolved “that as recommended by the City Manager in the submitted report Application to Zero Emission Transit Fund, the Finance Committee direct staff to submit application to Federal Zero Emission Transit Fund and refer the purchase and funding opportunity to the Capital Budgeting process.”

STRATEGIC ALIGNMENT

This report aligns with Council’s Priority for Valued Service Delivery, specifically as it relates to investing in sustainable City services and municipal infrastructure.

SERVICE AND FINANCIAL OUTCOMES

Along the timeline of our lease and not having indication of a ZETF award, we are at a point of decision regarding the six buses that provide our On-Demand Transit Service. The terms of the lease are such that we have a buyout anywhere during the lease term. At the end of month six the total buyout noted in our lease is \$277,018.54 per bus or a total of \$1,662,111.24 for all six.

With ZETF not being awarded, our Bus lease set to expire with no option to extend, numerous changes in the financial climate and supply chain issues, we are recommending the purchase of six buses for the remaining leased residual value of \$1,662,111.24. Funding to purchase these buses will come from City share funding for the ZETF program approved by Council in 2023 and 2024 of \$3,193,380. If in the future the ZETF application succeeds, Council will need to consider approval of City Share in 2025 to replace this funding.

INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS

Input into the report has been sought from Finance and Supply Chain Management.

This acquisition complies with the City’ Strategic Procurement Policy and Supply Chain Management supports the recommendation being put forth.

ATTACHMENTS

None