

Budget Adjustment Request – Capital Project P.00583 – Transit Replacement Bus Project

ISSUE

This report seeks City Council’s approval for a budget adjustment to provide additional funding for the purchase of two new diesel buses in 2023 as part of the approved long-term fleet renewal and funding strategy for the Saskatoon Transit fixed route fleet.

RECOMMENDATION

That Administration recommend to City Council:

1. That a budget increase to Capital Project P.00583 – Transit Replacement Bus Project for the purchase of two diesel buses (one 40-foot conventional bus and one 60-foot articulating bus) in the amount of \$2.26 million be approved; and
2. That the budget adjustment of \$2.26 million be funded from the Transit Vehicle Replacement Reserve (TVRR).

BACKGROUND

City Council, at its Regular Business Meeting held on November 21, 2022, considered the Approaches to Address Saskatoon Transit’s Long Term Fleet Renewal and Funding Strategy [report](#), and resolved:

- “1. That the fleet replacement strategy provided in Option 3 – The Fully Accelerated Approach be approved, subject to additional reporting for the 30 diesel articulating buses and subject to a funding strategy for the city contributions for the ZETF program; and
2. That in 2023 funding of \$6.5M be approved for the purchase of five 40-foot conventional diesel buses and three 60-foot articulating diesel buses to be funded by the Federal Support for Transit and Housing Program (STHP).”

Further to recommendation 2 approved by City Council, Option 3 includes the purchase of five 40-foot conventional diesel buses and three 60-foot articulating diesel buses in 2023 as part of the long-term fleet replacement and funding strategy.

Capital Project P.00583 Transit Replacement Bus Project provides for the replacement of buses for Saskatoon Transit’s fixed route fleet. This includes diesel, and in the future, zero emission buses. This project is funded by the Transit Vehicle Replacement Reserve (TVRR). TVRR receives annual funding of \$1.3 million. For the last few years, the funds in this reserve were used primarily for refurbishing steel frame buses to extend the operating life. Refurbishing was completed on all steel frame buses in the fleet in 2021. The funds in the reserve continue to fund other major mechanical work (e.g., engine and transmission rehabilitations) to extend the operating life of the fleet. Funds not required for major mechanical work have been held in contingency until sufficient funding could be accumulated to allow for the purchase of multiple buses and associated economies of scale in the purchase.

The current market price for buses is as follows:

- 40-foot diesel bus – approximately \$900,000
- 60-foot articulating diesel bus – approximately \$1.4 million
- 40-foot battery electric bus – approximately \$1.5 million.

DISCUSSION/ANALYSIS

A diesel bus Request for Proposal (RFP) was issued in early 2023. Through the competitive RFP process, the evaluation has been completed and a successful bidder has been determined. Two proponents responded to the RFP. Due to higher than anticipated inflationary costs, the original estimate of \$6.5 million is not sufficient to purchase all eight buses in 2023 as per the approved long-term fleet renewal and funding strategy for fixed route buses. To purchase all eight buses through the successful tender will require an additional \$2.26 million.

The City negotiated with the successful vendor to reduce the tender to four 40-foot conventional buses and two 60-foot articulating buses to fall within the approved \$6.5 million budget and added an option to purchase the remaining 40-foot conventional bus and 60-foot articulating bus if additional funding is approved by City Council.

FINANCIAL IMPLICATIONS

There is sufficient funding in the TVRR for the purchase of all eight replacement buses. By prioritizing this purchase to replace some of the oldest vehicles in the fleet, it will assist in reducing the required funding for engine and transmission rehabilitations and better position Saskatoon Transit to meet service levels. Saskatoon Transit continues to review the asset management plan and update the long-term fleet renewal and funding strategy accordingly to determine the appropriate funding requirements to effectively manage the fleet and achieve an industry standard average age of approximately seven years for a bus and no buses older than 15 years. The budget adjustment from the TVRR has no mill-rate impact as there are sufficient funds within the reserve for this purchase.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environment implications identified.

NEXT STEPS

Update the long-term fleet renewal and funding strategy and Saskatoon Transit Asset Management Plan based on the most recent bus replacement costs and available funding sources.

Report Approval

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Reviewed and

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