

MEMORANDUM

To: Regional Chair Emmerson and Members of Regional Council

From: Kelly Strueby
Acting Commissioner of Finance and Regional Treasurer

Date: March 30, 2022

Re: Canada Infrastructure Bank - Support for Transit Programs

This memo is to update Council on discussions that have been held with the Canada Infrastructure Bank (CIB) regarding their potential support for York Region's transit programs.

Canada Infrastructure Bank began its operations in 2018 to facilitate the financing of major infrastructure projects

The Canada Infrastructure Bank began its operations in 2018 with a \$35 billion investment from the Federal Government and a mandate to facilitate public private partnerships by providing financing for infrastructure of national importance.

Under its mandate, the CIB can provide either debt or equity investments for revenue generating projects. Their typical minimum investment requirement is at least \$100 million, with a total project size in the range of \$200 to \$300 million.

The CIB can also provide advisory services to public sector project sponsors, including municipal governments. These services would normally involve reviewing government capital plans, early-stage feasibility work, commercial structuring, financial analysis, etc.

The Federal Government has set out four key investment priorities for the CIB which are for public transit, trade and transportation, green infrastructure and contributing towards the Pan Canadian Framework on Clean Growth and Climate Change.

A Zero Emission Bus borrowing program is part of their \$10 billion three-year Growth Plan

In October 2020, the CIB announced a new \$10 billion, three-year, Growth Plan. Included in this Plan was a \$5 billion Public Transit stream, of which \$1.5 billion was purposed for a Zero

Emission Bus (ZEB) initiative. The ZEB program is exempt from their usual requirement of needing private sector investment and achieving net revenue generation.

Under the ZEB program, the CIB would be able to finance the difference in cost between buying electric buses (and the associated charging infrastructure) and the cost of buying identical conventional diesel buses. Their loan, under this program, would carry an interest rate of approximately one percent with annual payments based on either 75% of the projected cost savings from the use of electric buses or the actual realized cost savings, whichever is lower. If ultimately the savings are not realized by borrowers by the end of the asset's useful life despite demonstrated efforts, the outstanding loan balance would be forgiven.

Obtaining financing from this program may not be in line with the Council's directive not to issue additional tax levy funded debt. Depending on whether the buses being financed under this program are growth-related (which are DC funded) or replacements (which are tax levy funded), a specific exemption by Council from this directive could be required for the Region to participate in the program.

In 2021, Infrastructure Canada announced its collaboration with the CIB on the ZEB initiative through a new grant program

On March 4, 2021, Infrastructure Canada announced a five-year \$2.75 billion grant program funding for the deployment of 5,000 zero emission public transit and school buses, in partnership with CIB through its \$1.5 billion ZEB initiative. On August 10, 2021, the joint program was officially launched, with the grant program being named the "Zero Emission Transit Fund" (ZETF).

The maximum grant under this program could be up to 50% of the total eligible cost, with the requirement that CIB would still need to finance the rest. The exact breakdown between grant and loan funding would be determined through negotiations between the applicant, CIB, and Infrastructure Canada (INFC). However, there would be no ability to apply for only the INFC grants without obtaining CIB financing, at least for any project of a significant scale.

All eligible expenses under this program must be completed and submitted by the Fall of 2025.

An Expression of Interest was made to Zero Emission Transit Fund in November 2021

An Expression of Interest (EOI) is a mandatory first stage in the application process as it allows the INFC to provide its preliminary evaluation and feedback of the applicant's proposed projects.

To support the [Transit Fleet Electrification Plan](#), staff submitted an EOI in November 2021 for up to 180 electric buses and related equipment and were recently informed that INFC had completed its review. Transportation Services is now preparing a financial application for the ZETF, with an intent to submit it to INFC in the near future. As noted in the application, by purchasing 180 buses, the Region could reduce its conversion period by 10 years with approximately 31% of the transit fleet being converted to electric through the ZETF initiative.

Canada Infrastructure Bank's requirement for private sector investment and revenue generation still in place for other transit infrastructure projects

Except for the ZEB initiative, the CIB does not offer any other financing arrangement geared to bus rapid transit (BRT) related infrastructure. Any financing, where available, would be at their normal lending rate and would not be eligible to receive a grant component. Furthermore, unlike the ZEB program, private sector investment would still be a condition to obtain financing as would the requirement that the program achieve net revenue generation. As such, the CIB is not considered to be a viable financial option for BRT projects when compared to the Region's own funding/financing sources.

York Region Rapid Transit Corporation (YRRTC) is exploring a partnership arrangement

As noted above, the CIB also provides advisory services to public sector project sponsors. YRRTC is currently considering a partnership with the CIB to explore commercial revenue generating opportunities with the private sector development occurring along the new bus rapid transit corridors. This arrangement could attract new funding that could be used towards the Rapid Transit Implementation Plan. Both CIB and YRRTC would be responsible for their own costs over the course of any agreement.

For more information on the memo, please contact Edward Hankins, Director of Treasury Office and Deputy Treasurer, at 1-877-464-9675 ext. 71644.



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