



Date:	January 25, 2021
То:	Council
From:	City Manager
Subject:	Transit 2020/2021 Annual Operating Agreement
Department:	Revenue

Recommendation:

THAT Council receives, for information, the report from the Revenue Department dated January 25, 2021 regarding the Transit 2020/2021 Annual Operating Agreement:

AND THAT Council approve the 2020/2021 Annual Operating Agreement between BC Transit and City of Kelowna for Conventional, Community, and Custom transit;

AND FURTHER THAT the Mayor and City Clerk be authorized to execute the Annual Operating Agreement between BC Transit and the City of Kelowna covering the period April 1, 2020 to March 31, 2021.

Purpose:

To approve the transit 2020/2021 Annual Operating Agreement and receive an update on restart funding.

Background:

The Annual Operating Agreement (AOA) is submitted by BC Transit to the City of Kelowna and is effective for the period of April 1st to March 31st of the following year. The AOA is a summary of budgeted revenues and costs within the Kelowna Regional Transit System for BC Transit's fiscal year (March 31st year end).

Each Local Government Partner within the Kelowna Regional Transit System submits the AOA to their Councils for approval.

Included in the 2020/2021 Annual Operating Agreement is the Safe Restart Contribution. This funding is meant to help Local Government Partners meet their share of costs to maintain affordable Essential Transit Service Levels during the COVID-19 pandemic recovery period, recognizing that transit revenues were also impacted during this period.

Under the federal 'Safe Restart' program the federal and provincial governments have committed to provide joint contributions in support of transit services. BC Transit has entered into a Contribution Agreement to receive \$86 million of which \$7.3 million is designated for the Kelowna Regional Transit System. The City of Kelowna's portion is \$5.9 million. **Discussion:**

Restart Funding

While service levels and fares are set by each Local Government Partner, the Safe Restart Contribution is intended to assist in maintaining targeted essential transit service levels for the Kelowna Regional Transit System. By receiving this funding, the City of Kelowna will work with BC Transit to maintain the targeted essential transit service levels as outlined in the AOA as well as limiting annual public fare increase to 2.3% through March 31, 2024.

Subject to BC Transit receiving a fully executed amended AOA for 2020/21 by January 31, 2021, 50% of the Safe Start Contribution will be applied towards the Municipality's share of expenses for 2020/21. The contribution will be applied to monthly Municipal invoices evenly for the period April 1, 2020 to March 31, 2021. The remaining 50% of the Safe Restart Contribution will be held in a Local Transit Fund with BC Transit to be applied to future invoices as agreed to under an Annual Operating Agreement or amendments as required.

AOA Comparison

When comparing the 2020/2021 AOA with the 2019/2020 AOA, the main areas of increased costs are fixed costs, information systems and safety/security. The main areas of decreased costs are hourly service costs, fuel, fleet maintenance and BC Transit's waiver of lease fees for Municipalities from Jul-Dec 2020. The changes for each of Conventional, Community and Custom transit are set out below for the comparison of the AOA's year over year changes, focusing on the City of Kelowna's portion.

Conventional Transit

The projected revenue decrease of \$2.3 million is offset by \$1.3 million cost reductions. This includes a \$413,951 reduction of operating costs and savings of \$939,528 from BC Transit waiving lease fees from Jul-Dec 2020.

2019/2020	2020/2021				City of
		Total	Percentage	Local Gov't	Kelowna
Amended AOA	AOA	Difference	Change	Portion	Portion
					82.16%
\$6,944,108	\$4,166,144	-\$2,777,964	-40.10%	-\$2,777,964	-\$2,282,375
2019/2020	2020/2021			+	City of
		Total	Percentage	Local Gov't	Kelowna
Amended AOA	AOA	Difference	Change	Portion	Portion
				53.31%	
\$20,241,680	\$19,299,683	-\$941,997		-\$502,179	-\$413,951
\$2,683,563	\$1,543,787	-\$1,139,776		-\$1,139,776	-\$939,528
\$22,925,243	\$20,843,470	-\$2,081,773	-9.09%	-\$1,641,955	-\$1,353,479
	Amended AOA \$6,944,108 2019/2020 Amended AOA \$20,241,680 \$2,683,563	Amended AOA AOA \$6,944,108 \$4,166,144 2019/2020 2020/2021 Amended AOA AOA \$20,241,680 \$19,299,683 \$2,683,563 \$1,543,787	Amended AOA AOA Difference \$6,944,108 \$4,166,144 -\$2,777,964 \$6,944,108 \$4,166,144 -\$2,777,964 \$2019/2020 2020/2021 Total Amended AOA AOA Difference \$2019/2020 2020/2021 Total \$2019/2020 2020/2021 Total \$2019/2020 \$2020/2021 Total \$2020/2021 \$2020/2021 Total \$2020/2021 \$2020/2021 Total \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021 \$2020/2021	Amended AOA AOA Difference Change S6,944,108 S4,166,144 -S2,777,964 -40.10% S6,944,108 S4,166,144 -S2,777,964 -40.10% 2019/2020 2020/2021 Image: Change Image: Change Amended AOA AOA Difference Change 2019/2020 2020/2021 Image: Change Image: Change Amended AOA AOA Difference Change S20,241,680 S19,299,683 -\$\$941,997 Image: Change S20,241,680 S19,299,683 -\$\$1,139,776 Image: Change Image: Change Image: Change Image: Change Image: Change </td <td>Amended AOA AOA Difference Change Local Gov't Amended AOA AOA Difference Change Portion \$6,944,108 \$4,166,144 -\$2,777,964 -40.10% -\$2,777,964 \$6,944,108 \$4,166,144 -\$2,777,964 -40.10% -\$2,777,964 \$2019/2020 2020/2021 Image: Change Image: Change Image: Change \$2019/2020 2020/2021 Image: Change Image: Change Image: Change Amended AOA AOA Difference Change Portion \$20,241,680 \$19,299,683 -\$941,997 Image: Change -\$502,179 \$22,683,563 \$1,543,787 -\$1,139,776 Image: Change -\$1,139,776</td>	Amended AOA AOA Difference Change Local Gov't Amended AOA AOA Difference Change Portion \$6,944,108 \$4,166,144 -\$2,777,964 -40.10% -\$2,777,964 \$6,944,108 \$4,166,144 -\$2,777,964 -40.10% -\$2,777,964 \$2019/2020 2020/2021 Image: Change Image: Change Image: Change \$2019/2020 2020/2021 Image: Change Image: Change Image: Change Amended AOA AOA Difference Change Portion \$20,241,680 \$19,299,683 -\$941,997 Image: Change -\$502,179 \$22,683,563 \$1,543,787 -\$1,139,776 Image: Change -\$1,139,776

Community Transit

The benefits of the lease fee waiver of \$84,748 is offset by an increase in operating costs of \$16,442 resulting in a decrease in total costs of \$68,306.

	2019/2020	2020/2021				City of
			Total	Percentage	Local Gov't	Kelowna
COMMUNITY TRANSIT	Amended AOA	AOA	Difference	Change	Portion	Portion
					53.31%	
Expenditures						
Total Operating Costs	\$2,772,575	\$2,850,846	\$78,271		\$41,726	\$16,442
Total Lease Fees - Local Share	\$353,377	\$138,305	-\$215,072		-\$215,072	-\$84,748
TOTAL COSTS	\$3,125,952	\$2,989,151	-\$136,801	-4.38%	-\$173,346	-\$68,306

Custom Transit

The decrease in total costs of \$54,709 includes a \$71,667 decrease in lease costs attributable to the lease fee waiver and an increase in operating costs of \$16,958.

	2019/2020	2020/2021				City of
			Total	Percentage	Local Gov't	Kelowna
CUSTOM TRANSIT	AOA	AOA	Difference	Change	Portion	Portion
					33.31%	
Expenditures						
Total Operating Costs	\$3,469,684	\$3,538,762	\$69,078		\$23,010	\$16,958
Total Lease Fees - Local Share	\$222,575	\$125,333	-\$97,242		-\$97,242	-\$71,667
TOTAL COSTS	\$3,692,259	\$3,664,095	-\$28,164	-0.77%	-\$74,232	-\$54,709

Conclusion:

The impact to the City of Kelowna for transit services for the 2020/21 AOA is a net projected loss of \$805,881 which is offset by the Safe Restart Contribution. The impacts of the 2020/2021 AOA were included in the City of Kelowna's 2021 Provisional Budget that Council approved in December 2020.

Total Revenue Reduction				_		-\$2,282,375
Total Cost Reduction						\$1,476,494
Net Projected Loss						-\$805,881

Internal Circulation:

Manager, Integrated Transportation Manager, Transit and Programs Divisional Director, Financial Services Divisional Director, Infrastructure

Considerations applicable to this report:

Legal/Statutory Authority:

Annual Operating Agreement is required to authorize funding for payment of transit contractor.

Financial/Budgetary Considerations:

Existing budget provides for these annual operating requirements.

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements: Existing Policy: External Agency/Public Comments: Communications Comments:

Submitted by:

A. Schumacher, Revenue Supervisor

Approved for inclusion:

G. Davidson, Divisional Director Financial Services

Attachments: Transit 2020/2021 Annual Operating Agreement

CC:

J. Dombowsky, Transit and Programs Manager