

Report to Council



Date: June 21, 2021
To: Council
From: City Manager
Subject: Transit 2021/2022 Annual Operating Agreement
Department: Revenue

Recommendation:

THAT Council approve the 2021/2022 Annual Operating Agreement between BC Transit and City of Kelowna for Conventional, Community, and Custom transit;

AND 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, 2021 to March 31, 2022.

Purpose:

To receive Council approval for and execution of the transit 2021/2022 Annual Operating Agreement.

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 yearend).

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

Included in the 2021/2022 Annual Operating Agreement is the second half of 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.

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 split over two years.

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 2021/22 by June 30, 2021, 50% of the Safe Start Contribution will be applied towards the Municipality's share of expenses for 2021/22. The contribution will be applied to monthly Municipal invoices evenly for the period April 1, 2021 to March 31, 2022. The previous 50% of the Safe Restart Contribution was applied to the amended AOA for 2020/2021.

AOA Comparison

When comparing the 2021/2022 AOA with the previously Council approved AOA, the main areas of increased costs are:

- Incremental COVID contingency
- Fleet Maintenance
- Hourly Costs – Scheduled Service
- BCT Management Services
- Leases (6-month lease holiday in prior year)

The main areas of decreased costs are:

- Fuel
- Infrastructure Exploratory Agreements

Conventional Transit

Revenues are projected to increase by \$376,000, with City of Kelowna's portion being \$310,000. The 2021/22 AOA includes a \$1.25 million increase in costs with \$0.673 million relating to operating costs and \$0.582 million relating to lease fees. This represents a 8.8% increase from the 2020/21 Amended AOA presented to Council in January 2021. The City's portion of the Local Government share of the cost increase is \$1.0 million with the net impact of these revenue and costs projections resulting in a net cost increase of \$0.7 million.

Community Transit

The 2021/22 AOA includes a \$162,000 increase in costs for Community transit with \$81,000 relating to an increase in operating cost and \$81,000 relating to an increase in lease fees. This represents a 7.8% increase from the 2020/21 Amended AOA presented to Council in January 2021. \$64,000 is the City's portion of the Local Government share of the increase.

Custom Transit

The 2021/22 AOA also includes a \$157,000 increase in costs for Custom transit with \$38,000 relating to an increase in operating costs and an increase of \$119,000 related to lease fees. This represents a 6.4%

increase from 2020/21 Amended AOA presented to Council in January 2021. \$116,000 is the City's portion of the Local Government share of the increase.

Conclusion:

The impact to the City of Kelowna for transit services for the 2021/22 AOA is an increase to total net costs of \$908,000. Due to the Safe Restart Contribution offsetting these increased costs there is no impact on taxation. The estimated impacts of the 2021/2022 AOA were included in the City of Kelowna's 2021 Provisional Budget that Council approved in December 2020.

Internal Circulation:

Manager, Strategic Transportation Planning
Manager, Transit and Programs
Divisional Director, Financial Services
Acting 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:

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Approved for inclusion:



G. Davidson, Divisional Director Financial Services

cc:

J. Dombowsky, Transit and Programs Manager