

# Report to Council



**Date:** June 27, 2022  
**To:** Council  
**From:** City Manager  
**Subject:** Transit 2022/2023 Annual Operating Agreement  
**Department:** Revenue

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## **Recommendation:**

THAT Council approve the 2022/2023 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, 2022 to March 31, 2023;

AND FURTHER THAT Council approve an amendment to the 2022 Financial Plan reflecting the \$1,761,188 of Safe Restart funding received as per BC Transit's Contribution Agreement to support the Kelowna Transit System, replacing the existing reserve funding.

[Recommendation]

## **Purpose:**

To receive Council approval for and execution of the transit 2022/2023 Annual Operating Agreement and to amend the 2022 Financial Plan to accept \$1,761,188 in Safe 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.

In addition, Safe Restart funding has been provided to offset ongoing reduced ridership as Transit systems recover from the COVID-19 Pandemic. This funding is allocated to help Local Government Partners meet their share of costs to maintain affordable essential transit service levels during the COVID-19 pandemic recovery period.

**Discussion:****Restart Funding**

The 2022/2023 AOA does not reflect the \$1,761,188 of new Safe Restart funding that was received by the City of Kelowna, this was received after the AOA was submitted by BC Transit. Previous remaining Safe Restart funding of \$60,569 has been applied to the Conventional AOA and \$19,374 has been applied to the Custom AOA for 2022/2023. The City of Kelowna's 2022 Operating budget includes \$1,763,200 of reserve funding for transit operating costs and does not include the new Safe Restart funding of \$1,761,188.

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 and BC Transit work 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.

**AOA Comparison**

When comparing the 2022/2023 AOA with the previously Council approved AOA, the main areas of increased costs are:

- Fuel
- Fleet Maintenance
- Hourly costs – Scheduled service
- BCT Management Services

The main areas of decreased costs are:

- COVID contingency
- ICBC Insurance

Revenues are significantly higher than the 2021/2022 AOA as ridership levels are increasing with many employees returning to offices and university students returning to classrooms. BC transit has also stated that they see ridership levels increase with increased gas prices which may further increase ridership in the coming months.

**Conventional Transit**

Revenues are projected to increase by \$1,806,566, with City of Kelowna's portion being \$1,495,114. The 2022/23 AOA includes a \$1,120,852 increase in costs with \$1,051,453 relating to operating costs and \$69,399 relating to lease fees. This represents a 9.1% increase from the 2021/22 Amended AOA presented to Council in March 2022. The City's portion of the Local Government share of the cost increase is \$934,107 with the net impact of these revenue and costs projections resulting in a net cost decrease of \$561,007.

### Community Transit

The 2022/23 AOA includes a \$151,116 increase in costs for Community transit with \$133,322 relating to an increase in operating cost and \$17,794 relating to an increase in lease fees. This represents an 8.3% increase from the 2021/22 Amended AOA presented to Council in March 2022. \$63,406 is the City's portion of the Local Government share of the increase.

### Custom Transit

The 2022/23 AOA also includes a \$25,569 increase in costs for Custom transit with \$950 relating to an increase in operating costs and an increase of \$24,619 related to lease fees. This represents a 0.7% increase from 2021/22 Amended AOA presented to Council in March 2022. \$18,844 is the City's portion of the Local Government share of the increase.

### **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.

The Safe Restart funding provides the opportunity to reduce reserve funding for Kelowna Transit Operating Costs for the City of Kelowna's 2022 budget year.

Safe Restart Funding	\$ 1,761,188
Current 2022 Reserve Funding	\$ 1,763,200

#### **Considerations not applicable to this report:**

#### ***Legal/Statutory Procedural Requirements:***

#### ***Existing Policy:***

#### ***External Agency/Public Comments:***

#### ***Communications Comments:***

#### ***Legal/Statutory Authority:***

#### ***Legal/Statutory Procedural Requirements:***

#### ***Existing Policy:***

#### ***Financial/Budgetary Considerations:***

#### ***External Agency/Public Comments:***

#### ***Communications Comments:***

Submitted by:

P. Gramiak, Revenue Supervisor

Approved for inclusion:



G. Davidson, Director, Financial Services

cc:

J.Dombowsky, Transit and Programs Manager