

REPORT TO COUNCIL



Date: June 12, 2023
To: Council
From: City Manager
Subject: Transit 2023/24 Annual Operating Agreement
Department: Controller

Recommendation

That Council Approves 2023/2024 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, 2023 to March 31, 2024.

Purpose

To receive Council approval for and execution of the transit 2023/2024 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 year end).

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

Discussion:

AOA Comparison

When comparing the 2023/2024 AOA with the previously Council approved AOA, the main areas of increased costs are:

- Fuel
- Fixed costs
- Information Systems
- BCT Management Services

The main areas of decreased costs are:

- Marketing
- ICBC Insurance

Revenues are significantly higher than the 2022/2023 AOA as ridership levels have rebounded from the COVID-19 Pandemic. Ridership is now projected to grow in line with population growth and post secondary enrollment, however we are experiencing some service capacity constraints. Fuel prices have increased significantly since the 2022/2023 AOA, and are the main reason for the significant cost increases.

Conventional Transit

Revenues are projected to increase by \$650,557, with City of Kelowna's portion being \$548,289. The 2023/24 AOA includes a \$1,442,645 increase in costs with \$1,396,947 relating to operating costs and \$39,226 relating to lease fees. This represents a 10% increase from the 2022/23 AOA presented to Council in June 2022. The City's portion of the Local Government share of the cost increase is \$1,238,337 with the net impact of these revenue and costs projections resulting in a net cost increase of \$690,048.

Community Transit

The 2023/24 AOA includes a \$116,238 increase in costs for Community transit with \$118,014 relating to an increase in operating cost and \$1,776 relating to a decrease in lease fees. This represents a 8% increase from the 2022/23 AOA presented to Council in 2022. \$48,771 is the City's portion of the Local Government share of the increase.

Custom Transit

The 2023/24 AOA also includes a \$105,864 increase in costs for Custom transit with \$103,026 relating to an increase in operating costs and an increase of \$2,838 related to lease fees. This represents a 5% increase from 2022/23 AOA presented to Council in June 2022. \$78,022 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 2023/24 AOA is an increase to total net transit costs across all business units of \$816,841 which is mainly impacted by increasing operating costs. The estimated impacts of the 2023/2024 AOA were included in the City of Kelowna's 2023 Provisional Budget that Council approved in December 2022.

Internal Circulation:

Manager, Transit and Programs
Divisional Director, Financial Services
General Manager, 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:

P. Gramiak, Revenue Supervisor

Approved for inclusion:



J. Sass, Divisional Director Financial Services

cc:

J. Dombowsky, Transit and Programs Manager