

Report to Council



Date: July 22, 2024
To: Council
From: City Manager
Subject: Transit 2024/2025 Annual Operating Agreement
Department: Controller

Recommendation:

THAT Council approve the 2024/2025 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, 2024 to March 31, 2025.

Purpose:

To receive Council approval for and execution of the transit 2024/2025 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 2024/2025 AOA with the previously Council approved AOA, the main areas of increased costs are:

- Fixed costs for scheduled Service
- Fleet maintenance
- BCT Management Services

The main areas of decreased costs are:

- Information Systems
- ICBC Insurance
- Land and Buildings Lease Fees

Revenues are slightly higher than the 2023/2024 AOA as ridership levels have fully 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. Fixed costs are a large portion of the cost increase, this is largely due to wage increases as well as increases with CPI.

Conventional Transit

Revenues are projected to increase by \$201,844, with City of Kelowna's portion being \$168,277.

The 2024/25 AOA includes a \$1,505,278 increase in costs with \$1,376,326 relating to operating costs and \$128,952 relating to lease fees. This represents a 10% increase from the 2023/24 AOA presented to Council in June 2023. The City's portion of the Local Government share of the cost increase is \$1,215,985 with the net impact of these revenue and costs projections resulting in a net cost increase of \$1,047,708.

Community Transit

The 2024/25 AOA includes a \$448,935 increase in costs for Community transit with \$432,714 relating to an increase in operating cost and \$16,221 relating to an increase in lease fees. This represents a 21% increase from the 2023/24 AOA presented to Council in 2023. \$205,344 is the City's portion of the Local Government share of the increase.

Custom Transit

The 2024/25 AOA also includes a \$133,667 increase in costs for Custom transit with \$126,681 relating to an increase in operating costs and an increase of \$6,986 related to lease fees. This represents a 8% increase from 2023/24 AOA presented to Council in June 2023. \$98,512 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 2024/25 AOA is an increase to total net transit costs across all business units of \$1,351,564 which is mainly impacted by increasing operating costs. The estimated impacts of the 2024/2025 AOA were included in the City of Kelowna's 2024 Provisional Budget that Council approved in December 2023.

Internal Circulation:

Manager, Transit and Programs
General Manager, Corporate 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:

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Approved for inclusion: J. Sass, General Manager, Corporate Services

CC:

M. Kittmer, Transit and Programs Manager