

Report to Council



Date: July 21, 2025
To: Council
From: City Manager
Subject: Transit 2025/2026 Annual Operating Agreement
Department: Financial Services

Recommendation:

THAT Council approve the 2025/2026 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, 2025 to March 31, 2026.

Purpose:

To approve execution of the transit 2025/2026 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 2025/2026 AOA with the previously Council approved AOA, the main areas of increased costs are:

- Fixed costs for scheduled service (increase in service hours)
- Fleet maintenance
- IT Systems

The only area where costs have decreased is fuel.

Revenues are higher than the 2024/2025 AOA as ridership levels continue to increase. Ridership is projected to grow in line with population growth and post-secondary enrollment. Fixed costs are a large portion of the cost increase, this is in part due to additional service hours, as well as wage increases and increases with CPI.

Conventional Transit

Revenues are projected to increase by \$1.2M, with City of Kelowna's portion being \$1.05M. The 2025/26 AOA includes a \$2.6M increase in costs with \$2M relating to operating costs and \$600k relating to lease fees. This represents a 13% increase from the 2024/25 AOA presented to Council in June 2024. The City's portion of the Local Government share of the cost increase is \$2.1M with the net impact of these revenue and cost projections resulting in a net cost increase of \$1.0M.

Community Transit

The 2025/26 AOA includes a \$92k increase in costs for Community transit with \$55k relating to an increase in operating cost and \$38k relating to an increase in lease fees. This represents a 3% increase from the 2024/25 AOA presented to Council in 2024. The City's costs however have increased by \$126k as the City's portion of the Local Government share has increased.

Custom Transit

The 2025/26 AOA also includes a \$224k increase in costs for Custom transit with \$181k relating to an increase in operating costs and an increase of \$44k related to lease fees. This represents an 11% increase from 2024/25 AOA presented to Council in June 2024. \$143k 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 2025/26 AOA is an increase to total net transit costs across all business units of \$1,299,953, which is mainly impacted by increasing operating costs. The estimated impacts of the 2025/2026 AOA were included in the City of Kelowna's 2025 Provisional Budget that Council approved in December 2024.

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

Consultation and Engagement

Communications Comments

Submitted by: D. Bartsch, Revenue Supervisor

Approved for inclusion: M. Warrender, Deputy Chief Financial Officer

cc:

J. Sass, General Manager, Corporate Services Division

M. Kittmer, Transit and Programs Manager

Attachment: FY2026 AOA - Kelowna