



## COUNCIL REPORT

To: Mayor and Council

Date: June 13, 2023

From: Paul Gipps, CAO

Subject: **2023-24 BC Transit Annual Operating Agreement**

Report Prepared by: Warren Everton, Director of Finance/CFO

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### RECOMMENDATION

**THAT** Council authorize the Mayor and Corporate Officer to execute the 2023-24 Annual Operating Agreement (AOA) between British Columbia Transit and the City of West Kelowna.

### STRATEGIC AREA(S) OF FOCUS

Financial planning including contractual obligation is an integral component in achieving the objectives of Council's 2023 Strategic Priorities. Careful management of the City's revenues, expenses, capital and reserves ensures a healthy and progressive community.

**Invest in Infrastructure** – We will invest in building, improving and maintaining infrastructure to meet the needs of, and to provide a high quality of life for, current and future generations.

**Pursue Economic Growth and Prosperity** – We will work with stakeholders throughout the region to advocate for and support efforts aimed at helping West Kelowna businesses prosper. With a focus on the future, we will advance opportunities to expand our economy, increase employment, and develop the community in ways that contribute towards prosperity for all.

**Strengthen Our Community** – We will provide opportunities for the residents of West Kelowna to build connections, celebrate successes, embrace the community's strengths and diversity, address shared needs, and contribute to shaping the community's future.

**Foster Safety and Well-Being** – We will pursue through direct action, advocacy, and collaboration with local and regional service providers, investments in community health, needs-based housing, emergency preparedness, policing, and other services that foster safety and well-being in West Kelowna.

## **BACKGROUND**

Each year BC Transit provides an Annual Operating Agreement (AOA), which outlines the provisions of the Public Passenger Transportation System. The partners in this agreement are the City of West Kelowna (*the Municipality*), and the British Columbia Transit Authority (*the Authority*). The agreement covers the conventional and community (paratransit) transit systems. Once approved and executed the AOA is deemed incorporated into the 2023 Transit Service Agreement (TSA). The TSA is the principal overarching agreement for providing public transportation to the City of West Kelowna.

## **DISCUSSION**

In the annual AOA BC Transit confirms the budgeted service levels, revenue projections and cost structure for the City's transit system. Similar to previous year's agreements the 2023-2024 transit agreement straddles two financial planning years (2023 and 2024), which creates challenges when matching budgets. The City's budget for transit is typically completed before receiving the AOA documents and is therefore based on estimates and previous year's actuals. The City's Financial Plan is normally not amended as variances naturally occur due to timing differences between the transit budget (April to March) and the City Financial Plan (January to December).

The 2023-2024 AOA contains similar wording to the 2022-2023 agreement with no additional sections or schedules. The budget schedule is updated from the previous year's agreement and reflects a return to 90% of pre-pandemic revenue levels. Expenses, however, continue to be affected by inflationary pressures including rising fuel costs, maintenance, information systems, insurance and labour costs.

## **FINANCIAL IMPLICATIONS**

The 2023-2024 AOA budget of \$1,846,795 represents a decrease of \$20,190 after the City saw a \$453,389 increase in the previous contract year. This small variance actually reflects an 11% increase in costs mitigated by the local transit reserve and administration recoveries. The previous year also saw a combination of the cost increases mentioned above but most of its variance was due to the loss of the Safe Restart Transit funding which ended in 2021-22. This one factor alone represented a 24% increase to the 2022-23 budget.

Comparatively, the City's budget for transit in 2023 is \$1,789,989 including an offset of \$620,385 for fare revenue, which is received outside the AOA agreement. The difference between the contract and the City's budget is relatively immaterial but dependent on conservative revenue estimates. Actual results will be tracked and monitored for any unexpected variances. The new contract affects the second through fourth quarters of the current fiscal year and carries over into the first quarter of 2024.

City of West Kelowna				
Transit Services Operating Agreement				
	2023-2024	2022-2023	YOY Variance	2023 CWK Budget
Direct Operating	3,099,598	2,810,483	289,115	2,005,007
Fixed Operating Costs	440,031	423,246	16,785	445,367
Less Transit reserve fund & recoveries	-331,795	-104,869	-226,926	-40,000
Total Operating Costs	3,207,834	3,128,860	78,974	2,410,374
Provincial Share	-1,652,653	-1,509,829	-142,824	
Lease Fees	291,614	247,954	43,660	
Fare Revenue Budgeted				-620,385
CWK Share	1,846,795	1,866,985	-20,190	1,789,989

### Alternate Recommendation

**THAT** Council authorize the Mayor and Corporate Officer to execute the 2023-2024 Amended Annual Operating Agreement (AOA) with additional amendments between British Columbia Transit and the City of West Kelowna.

### REVIEWED BY

Corinne Boback, Legislative Services Manager / Corporate Officer

### APPROVED FOR THE AGENDA BY

Paul Gipps, CAO

PowerPoint: Yes ☐ No ☒

### Attachments:

BC Transit and City of West Kelowna Annual Operating Agreement April 1, 2023