



COUNCIL REPORT

To: Mayor and Council

Date: June 25, 2024

From: Ron Mattiussi, Interim CAO

Subject: **2024-25 BC Transit Annual Operating Agreement**

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

RECOMMENDATION to Consider and Resolve:

THAT Council approves the City entering into an Annual Operating Agreement (AOA) with British Columbia Transit for the 2024-2025 period, attached to the Report from the Director of Finance/CFO, dated June 25, 2024;

AND THAT Council authorize the Mayor and Corporate Officer to execute the 2024-2025 Annual Operating Agreement (AOA).

STRATEGIC AREA(S) OF FOCUS

Financial planning including contractual obligation is an integral component in achieving the objectives of Council's 2024 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 2024 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 2024-2025 transit agreement straddles two financial planning years (2024 and 2025), 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 2024-2025 AOA contains similar wording to the 2023-2024 agreement with no additional sections or schedules. The budget schedule is updated from the previous year's agreement and reflects a return to 100% 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 2024-2025 AOA expenditure budget of \$2,629,491 represents an Increase of \$782,695 or 42% after the City saw a decrease of \$20,190 in 2023-24 (which was actually an 11% increase mitigated by reserve contribution and admin recoveries) and a \$453,389 or 32% increase in 2022-23. That year saw a combination of the cost increases with most of its variance due to the loss of the Safe Restart Transit funding which ended in 2021-22. In 2024-25 increases are across the budget in the fixed and variable cost categories with no one-issue standing out.

Comparatively, the City's budget for transit in 2024 is \$2,493,582 before an offset of \$770,385 for fare revenue, which is received outside the AOA agreement. The difference between the contract and the City's budget is relatively immaterial when considering both revenues and expenses but remains dependent on conservative estimates. Actual results will be tracked and monitored for any unexpected variances throughout 2024. It is also important to reiterate that the new contract affects the second through fourth quarters of the current fiscal year and carries over into the first quarter of 2025.

Transit Budget Schedule from 2024-25 AOA

KELOWNA COMMUNITY BUS	OFFICIAL AOA 2024/25	CITY OF KELOWNA	CITY OF WEST KELOWNA	WESTBANK FIRST NATION	DISTRICT OF PEACHLAND	DISTRICT OF LAKE COUNTRY	RDCO / ELLISON
TOTAL REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL OPERATING COSTS	\$ 4,311,132	\$ 1,972,349	\$ 1,253,983	\$ 635,993	\$ 177,625	\$ 271,182	\$ -
TOTAL COSTS (including Local Government Share of Lease Fees)	\$ 4,562,368	\$ 2,072,722	\$ 1,334,871	\$ 677,017	\$ 189,083	\$ 288,675	\$ -
NET LOCAL GOVERNMENT SHARE OF COSTS	\$ 2,522,244	\$ 1,140,943	\$ 740,611	\$ 375,622	\$ 104,907	\$ 160,162	\$ -

KELOWNA/CENTRAL OKANAGAN CONVENTIONAL	OFFICIAL AOA 2024/25	CITY OF KELOWNA	CITY OF WEST KELOWNA	WESTBANK FIRST NATION	DISTRICT OF PEACHLAND	DISTRICT OF LAKE COUNTRY	RDCO / ELLISON
TOTAL REVENUE	\$ 7,648,224	\$ 7,648,224	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL OPERATING COSTS	\$ 27,377,167	\$ 22,141,125	\$ 3,116,207	\$ 592,672	\$ -	\$ 1,475,354	\$ 51,810
TOTAL COSTS (including Local Government Share of Lease Fees)	\$ 29,747,293	\$ 24,059,393	\$ 3,384,001	\$ 643,355	\$ -	\$ 1,604,210	\$ 56,335
NET LOCAL GOVERNMENT SHARE OF COSTS	\$ 8,961,185	\$ 5,785,765	\$ 1,888,879	\$ 359,034	\$ -	\$ 896,041	\$ 31,466
REVENUE SHARE		100.00%					
COST SHARE		80.94%	11.30%	2.14%		5.44%	0.19%
MAJOR OPERATING PROJECT		100.00%					
BRT SHARE		67.15%	26.34%	6.51%			

CWK 2024 Budget Schedule

City of West Kelowna				
Transit Services Operating Agreement Reconciliation				
	2024-2025	2023-2024	YOY Variance	2024 CWK Budget
Direct Operating	3,629,293	3,099,598	529,695	2,055,007
Fixed Operating Costs	740,887	440,031	300,856	478,575
Less Transit Reserve Fund & Admin Recoveries	-40,165	-331,795	291,630	-40,000
Total Operating Costs	4,330,015	3,207,834	1,122,181	2,493,582
Provincial Share	-2,040,432	-1,652,653	-387,779	-
Lease Fees	339,908	291,614	48,294	-
Net Operating Costs	2,629,491	1,846,795	782,696	2,493,582
Fare Revenue Estimated	-864,154	-715,380	-148,774	-770,385
CWK Share Net of Revenue	1,765,337	1,131,415	633,922	1,723,197

Alternate Recommendation to Consider and Resolve:

THAT Council approves the City entering into an Annual Operating Agreement (AOA) with British Columbia Transit for the 2024-2025 period as amended;

THAT Council authorize the Mayor and Corporate Officer to execute the 2024-2025 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

Trevor Seibel, Deputy CAO

APPROVED FOR THE AGENDA BY

Ron Mattiussi, Interim CAO

PowerPoint: Yes No

Attachments:

BC Transit and City of West Kelowna Annual Operating Agreement April 1, 2024