



## COUNCIL REPORT

To: Paul Gipps, CAO

Date: January 12, 2021

From: Warren Everton, Director of Finance/CFO

Subject: **2020-21 BC Transit Amended Annual Operating Agreement**

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### RECOMMENDATION

**THAT** Council authorize the Mayor and Corporate Officer to execute the 2020-2021 Amended Annual Operating Agreement (AOA) between British Columbia Transit and the City of West Kelowna.

### STRATEGIC AREA(S) OF FOCUS

Economic Growth and Prosperity

Strengthen Our Community

### 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 transit systems. Once approved and executed the AOA is deemed incorporated into the 2020 Transit Service Agreement (TSA). The TSA is the principal overarching agreement for providing public transportation to the City of West Kelowna.

### DISCUSSION

Each year the AOA confirms the budgeted service levels, revenue projections and cost structure for the City's transit system. Similar to previous year's agreements the 2020-2021 transit agreement straddles two financial planning years (2020 and 2021), which creates difficulties with matching budgets. The City's budget for transit is typically completed before receiving the AOA documents and is therefore based on estimates. In a typical year the transit budget and AOA would be presented in June or July, but due to COVID-19 the 2020 documents were delayed until BC Transit produced an amended budget in December. Also in a typical year the City's Financial Plan would not be

amended as variances naturally occur due to the timing differences between the transit budget (April to March) and the City Financial Plan (January to December).

The 2020-2021 AOA differs from the previous year's agreement in two sections. In Section 8: Local Contributions and Reserve, the Lease Fees subsection states that Lease fees for 2020-2021 would be waived for the period July 1<sup>st</sup> to December 31<sup>st</sup>, 2020 which is reflected in the budget schedules attached to the agreement. In Section 9: Safe Restart Contribution, it is outlined how the one-time grant would be applied to the transit budget going forward with any excess payments to date by the municipality allocated to the Local Transit Reserve. Details of the expected budget impact appear below. Key requirements of this funding involve the signing of the agreement by January 31, 2021 and the Municipality working with the Authority to maintain planned service levels as well as limiting annual fare increases to 2.3% to the end of 2024.

## FINANCIAL IMPLICATIONS

The 2020-2021 Amended AOA budget of \$1,167,133 reflects a \$546,966 decrease compared to the 2019-2020 budget. This does not reflect a drop in costs but rather reflects an increase in offsets including transit reserve fund usage (shared with the Province) of \$289,305 and the Safe Restart Contribution of \$351,398. Taking into account the cost sharing relationship with the Province, overall costs increased by \$191,143, before the grant and reserve funding are applied. For comparison purposes, the City's budget for transit in 2020 was \$1,804,552 including an offset of \$705,000 for revenue, which is outside the AOA agreement.

City of West Kelowna				
Transit Services Operating Agreement				
	2020-2021	2019-2020	YOY Variance	2020 CWK Budget
Direct Operating	2,450,822	2,328,666	122,156	1,998,622
Fixed Operating Costs	393,463	324,476	68,987	510,930
Less Transit reserve fund usage	-289,305	-52,758	-236,547	
Total Operating Costs	2,554,980	2,600,384	-45,404	2,509,552
Provincial Share	-1,192,920	-1,196,812	3,892	
Safe Restart Transit Funding	-351,398	0	-351,398	
lease Fees less admin costs	156,471	310,527	-154,056	
Fare Revenue Budgeted				-705,000
CWK Share	<b>1,167,133</b>	<b>1,714,099</b>	<b>-546,966</b>	<b>1,804,552</b>

### Alternate Motion:

**THAT** Council authorize the Mayor and Corporate Officer to execute the 2020-2021 Amended Annual Operating Agreement (AOA) with additional amendments between British Columbia Transit and the City of West Kelowna.

**REVIEWED BY**

Shelley Schnitzler, 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, 2020