



## COUNCIL REPORT

To: Paul Gipps, CAO

Date: June 22, 2021

From: Warren Everton, Director of Finance/CFO

Subject: **2021-2022 BC Transit Annual Operating Agreement**

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### RECOMMENDATION

**THAT** Council authorize the Mayor and Corporate Officer to execute the 2021-2022 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 2021 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 2021-2022 transit agreement straddles two financial planning years (2021 and 2022), 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. 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 2021-2022 AOA differs from the previous year's agreement in one section. In Section 8: Local Contributions and Reserve, the Lease Fees subsection stated last year that lease fees would be waived for the period July 1<sup>st</sup> to December 31<sup>st</sup>, 2020. For 2021 lease fees are now back to normal pre COVID levels and cover all asset related expenses in a given period.

In Section 9: Safe Restart Contribution, the second year of the grant appears in the agreement outlining how it would be applied to the transit budget going forward with any excess payments by the municipality allocated to the Local Transit Reserve. Details of the expected budget impact appear below. A key requirement of this funding involves 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 \$1,413,596 reflects a total increase of \$246,463 after the City saw a \$546,966 decrease in the previous contract year. This reflects a combination of a shared cost increase and reduction in reserve fund usage totaling \$168,399 on top of a lease fee increase of \$78,064. Once again the Safe Restart Grant contribution comes in at \$351,398 in the 2021-22 agreement thereby keeping the City's share of the transit costs reasonable compared to the 2020-21 agreement. For comparison purposes, the City's budget for transit in 2021 was \$1,806,948 including an offset of \$705,000 for revenue, which is outside the AOA agreement.

City of West Kelowna				
Transit Services Operating Agreement				
	2021-2022	2020-2021	YOY Variance	2021 CWK Budget
Direct Operating	2,570,557	2,450,822	119,735	1,998,622
Fixed Operating Costs	413,457	393,463	19,994	513,326
Less Transit reserve fund usage	-113,149	-289,305	176,156	
Total Operating Costs	2,870,865	2,554,980	315,885	2,511,948
Provincial Share	-1,340,406	-1,192,920	-147,486	
Safe Restart Transit Funding	-351,398	-351,398	0	
Lease Fees less admin costs	234,535	156,471	78,064	
Fare Revenue Budgeted				-705,000
CWK Share	<b>1,413,596</b>	<b>1,167,133</b>	<b>246,463</b>	<b>1,806,948</b>

## Alternate Motion:

**THAT** Council authorize the Mayor and Corporate Officer to execute the 2021-2022 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, 2021