
City of Kelowna

MEMORANDUM

DATE: April 23, 2003
FILE: 2240-20
TO: City Manager
FROM: Director of Financial Services
RE: **Conventional & Custom Transit-Annual Operating Agreements**

Report prepared by: Financial Planning Manager

RECOMMENDATION:

THAT Council approve the Provisional 2003/2004 Annual Operating Agreements for conventional and custom transit services for the City of Kelowna based on successful negotiations with Farwest Transit Services Inc.

AND THAT the Mayor and City Clerk be authorized to execute the Operating Agreements between B.C. Transit, the City of Kelowna and Farwest Transit Services Inc. covering the period April 1, 2003 to March 31, 2004.

Background & Comments

Attached is a copy of the March 27, 2003, letter from BC Transit outlining some of the changes to the current year operating agreement for both conventional and custom transit.

The Provincial Government has frozen funding for BC Transit at the 2002 expenditure level. This has required a review of annual expenditures to find efficiencies and determine the lower priority service areas where there will be the least impact from making service hour cuts.

Conventional Transit Service

The total costs under this agreement for the 2003 fiscal year are estimated to be \$8,401,200, a .3% increase compared to the 2002 amended Annual Operating Agreement. However, this is based on service hours being reduced by over 6,400 hours or 5.9% in 2003. The main areas of cost increase are in vehicle maintenance, fuel, licence and insurance costs.

There are a number of issues yet to be resolved in terms of fuel prices and potential additional Provincial funding that will impact the actual service hours that will need to be

reduced. The following areas/routes have been identified for potential reduction and are shown in order of where the service cuts would occur first:

1) Strategy 1 – Efficiencies

- a) Operator Efficiencies
- b) Marketing Efficiencies
- c) BC Transit Administration Efficiencies
- d) Service Efficiencies
 - i. Annualized 2002 Savings
 - ii. Seasonal/Holiday Service
 - iii. Community Bus - #12 McCulloch route
 - iv. Summer Service OUC North Campus
 - v. Sunday & Holiday Service #9 Central Rutland
 - vi. Community Bus – Saturdays on Glenrosa & Smith Creek
 - vii. Low Ridership Trips

2) Strategy 2 – Low Priorities

- a) Elimination of #9 Central Rutland during mid-day weekdays and Saturdays
- b) Summer Service Levels
- c) Evening Service and other Service Reduction Options

See attached “Expenditure Reduction Strategies” for further details on these strategies.

BC Transit suggests that the ridership impact is minimal from the **Strategy 1** changes and the revenue loss is estimated to be \$4,700. However, the **Strategy 2** changes will have a significant impact on ridership and the revenue loss is estimated at over \$30,000. At this time we are not able to determine where the cut level will need to occur until BC Transit can provide more definite costs and funding levels. **These changes will come back to Council as an amendment to the Annual Operating Agreement.**

Based on maintaining BC Transit’s existing funding level, ridership for the period is forecast at 2,860,000 passengers (decrease of 4.7%) with revenues decreasing by \$147,800. Overall there is a \$202,700 increase in local cost requirements. Cost recovery is estimated at 33.2% for 2003 down from 35.1% in the 2002 budget.

The City of Kelowna is responsible for \$1.2 million of the estimated \$2.0 million net Municipal Share of the regional Conventional Transit program.

There is additional Transit funding required for the base level of service that will be coming to Council at Final Budget on May 5th.

Custom Transit Service

The total costs under this agreement for the 2003 fiscal year are estimated to be \$1,402,800, which provides for a -0.1% change from the 2002 operating budget. However, there is an increase in total operating costs for 2003 and cost reduction methods must also be employed for Custom Transit.

To achieve the cost reduction target the Taxi Supplement budget will be reduced with the Taxi Saver program and the existing service hours increased by a redistribution of the current Taxi Supplement budget. The major factors of the expenditure increase are for fuel, vehicle maintenance and insurance costs.

Passengers for the period are forecast at 136,500 (decrease of 2.5%) with revenues decreasing by \$3,800. Cost recovery is estimated at 12.1%, down slightly from the 12.4% level estimated for 2002.

The City of Kelowna is responsible for \$239,600 of the estimated \$328,200 net Municipal Share of the Custom Transit program.

Fare Changes

Transit fares are included in the Annual Operating Agreement. The last change to Conventional Transit fares was on September 1, 2000. An increase is recommended to reach a cost recovery goal of 35%. In 2002 the actual recovery of revenues to total operating expenditures was 32.6%. A recommendation was made to the Regional Transportation Committee to increase the cash fare by \$0.10, sheet of 10 tickets by \$0.50, day passes by \$0.25 and monthly passes by varying amounts (\$2.00 to \$5.00). With current uncertainty on service levels and costs, it is recommended that the fare change be delayed until the AOA is amended.

Custom Transit rates were last changed on January 1, 1998. Changes to these fares will also be recommended with the amendment to the AOA.

The Annual Operating Agreement impacts and proposed fare changes have been reviewed by the Regional Transportation Committee and a further presentation to the Committee is required once the service levels are determined.

Paul Macklem

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Encl.

cc: Financial Planning Manager
Transportation Manager

NOTE: There are two attachments included with the print copy from BC Transit that are not available with the electronic version of this report.

EXPENDITURE REDUCTION STRATEGIES (prepared by BC TRANSIT)

1) Strategy 1 - Efficiencies

- a) ***Operator Efficiencies*** Operator efficiencies refer to efficiencies, cost reductions, cost containment and measures that reduce or eliminate low-priority activities currently provided by, and under the responsibility of, the operator.
- b) ***Marketing Efficiencies*** Marketing efficiencies refer to marketing plans and programs that can be delivered in alternative ways to reduce costs. Discretionary and low-priority activities have also been eliminated.
- c) ***BC Transit Administration Efficiencies*** BC Transit has examined all staff and resources that are directed to the Municipal Systems Program. Costs have been reduced by 5% for the second year in a row.
- d) ***Service Efficiencies*** Service efficiencies refer to options that can be implemented to reduce costs without a severe negative impact on passengers.

Conventional Service

- i) **Annualized Savings of service efficiencies implemented in late 2002** – Service efficiencies carried out in May and October 2002 has been annualized to reflect full year impact. As a result of the later implementation date (October 2002) more daily service hour reductions were required to meet 2002/03 targets. When annualized through 12 months this additional daily total of 1.5 hours results in an additional savings of 492 hours.
- ii) **Seasonal/Holiday Service** - During the Christmas period, commuter and student ridership decreases. To contain costs, meet market demands and provide a more efficient use of resources, it is proposed that service levels be adjusted to a special Holiday service level during the Christmas break and also on Easter Monday. The special Holiday service will operate a weekday schedule until 9:00am so as to ensure important morning commuter trips are not changed. After 9:00 am, all trips will operate on a Saturday Schedule.
- iii) **Community Bus – 12 McCulloch, Monday through Saturday** – Implemented in September 1998, the 12 McCulloch conventional bus links residential neighbourhoods on K.L.O. and McCulloch Roads with Mission Park Town Centre and Okanagan University College (South Campus). The service operates every 30 minutes during weekday rush hours and makes timed connections at OUC with 1 Lakeshore to Downtown and 8 College to Orchard Park. A more limited service operates during midday, Saturdays, Sundays and Holidays. In October 2002 5 trips carrying less than 2 passengers were eliminated. Current ridership is low averaging 5 to 10 rides per trip except for two trips which divert to South Kelowna Elementary. The region is also served by Kelowna handyDART with approximately 4 or 5 trips per day serving 8 regular clients and 10 to 15 others on a call-in basis.

To improve overall service efficiency it is proposed that the 12 McCulloch service be replaced by Community Bus using the same operating principles as the current Peachland service. The Community Bus style of service provides a blended service meeting all transit client travel needs. The Community Bus is a smaller fully accessible vehicle that provides a limited fixed schedule to meet basic conventional transit needs, shifting to a blended fixed route deviation service for all client

groups. Service levels would remain close to existing conventional schedules. The school trip would continue to utilize the larger conventional bus. Other advantages to the more flexible routing is the East Kelowna Community Bus can now make diversions to meet needs of more rural clients who are presently outside reasonable walk distances (300 – 500 metres).

- iv) **8 College Summer Service to OUC North Campus** - Current weekday rush hour service to OUC North Campus is every 15 minutes. When OUC is not in full session student ridership drops off accordingly. To improve efficiency through the summer and other intersession times it is proposed that rush hour frequency be reduced to every 30 minutes. There would be no changes to the southern portion of the 8 College route that links OUC south Campus, KSS and Mission Park. As a result of the vehicle interlining of routes between the 8 College and 23 Lake Country buses, some morning and afternoon trips to Lake Country would be adjusted slightly during the reduced summer service period.
- v) **Sunday and Holidays, Replace 9 Central Rutland with South Rutland Night Route** – During Sunday and Holidays the 9 Central Rutland bus links Rutland Centre with Orchard Park every 60 minutes. During weekday evenings this route does not operate, but is covered by a South Rutland Night Route that provides coverage to all regions south of Hwy 33. To improve Sunday and Holiday productivity it is proposed that the South Rutland Night route be also implemented during Sunday and Holidays. As a result of route interlining some 8 College and 7 Glenmore Sunday trips would also be adjusted.
- vi) **Community Bus – Glenrosa and Smith Creek service on Saturdays --** As describe in the previous section for the East Kelowna Community Bus there are other areas of opportunity to introduce Community Bus. Specific residential neighbourhoods on the Westside, currently served by conventional transit, include Glenrosa, Smith Creek, Shannon Lake and West Kelowna Estates. All these neighbourhoods have feeder or direct service to Downtown via Westbank and Stevens Exchanges. Most off peak trips operate well below capacity providing opportunities to blend existing handyDART service with a fixed route schedule.

To initiate this service concept and improve overall efficiency it is proposed that the present conventional service through Glenrosa and Smith Creek and existing handyDART service be restructured on Saturdays to provide Community Bus service. The Glenrosa/Smith Creek Community Bus would provide similar levels of service together with additional time for handyDART clients. Service would connect at Westbank Exchange with the present conventional service. Regular conventional service to downtown would now terminate at Westbank. Due the complexities of this service concept it is proposed that implementation be delayed until January 2004.

- vii) **Low Ridership Trips** - Ridership counts carried out in Spring 2002 together with recent checks from operating staff have shown nine trips or trip sections that average less than 2 passengers per trip. One early morning weekday trip, five Saturday trips and three Sunday and Holiday trips fall into this category. To improve system efficiency it is proposed that these trips be eliminated. The trips include:
 - (a) Monday to Friday - 1 Lakeshore at 5:55am

- (b) Saturday - 1 Lakeshore at 8:05 am, 2 North End at 8:15 am, 7 Glenmore at 7:59 am, 8 College at 8:15 am and 10 North Rutland at 6:00 pm.
- (c) Sunday and Holidays – 1 lakeshore at 6:13 pm, 2 North End at 9:32 am and 8 College at 6:00 pm.

viii) **Minor Routing Adjustments** – Included within the above service adjustments are minor route changes including:

- Expanding the Mission loop. Current service operates via Lakeshore, Old Meadows Road and Gordon Drive. Request for improved service coverage on Gordon Drive have been reviewed by City staff. To improve service coverage it is proposed that the 1 Lakeshore route be adjusted in a southbound direction via Lakeshore, Lexington to Gordon Drive. There is no additional time or costs involved with this route change. It is forecast that the increased coverage will generate 2,000 to 3,000 additional rides annually.

2) Strategy 2 - Low Priorities

Low priorities include service reductions that have the least impact on transit markets.

- a) **Service Duplication, Elimination of the 9 Central Rutland during mid-day weekdays and Saturdays** – The 9 Central Rutland is one of three routes linking the residential neighborhoods of Rutland with Orchard Park Exchange and Downtown. Service operates every 30 minutes all day as opposed to the two primary Rutland routes (10 North and 11 South Rutland) which operate commuter frequency every 15 minutes. Most of the route portion between Orchard Park and Downtown is duplicated by other routes. Present capacity during mid-day and Saturday on the 10 North and 11 South Rutland routes is sufficient to handle additional 9 Central Rutland Passengers.

To reduce service duplication and provide cost savings it is proposed that the 9 Central Rutland route be short-turned at Orchard Park during mid-day weekdays and all day Saturdays. For example, during mid-day and Saturdays 9 Central Rutland passengers would transfer at Orchard Park to either the 10 north Rutland or 11 South Rutland. Service levels would remain unchanged during weekday rush hours when demand is greatest. To allow for schedule maintenance concerns 10% of service hours cut would be put back into extra service to address increasing schedule maintenance concerns.

- b) **Summer Service Levels** - Another option for further cost reductions with less impact on ridership is the introduction of a summer service level. Without the primary student transit markets, analysis of the last two summers show July and August to be the 11th and 12th ranked months in terms of ridership. Summer service would operate under the same principle as the above outlined Holiday Service. In other words, regular weekday service until 9:00 am then Saturday service the rest of the day. As outlined with the previous service proposal 10% of the reduced service hours would be reallocated into extra service to handle overload or schedule maintenance issues.
- c) **Other service Reduction Options for Consideration – Evening Service** – Expanded in September 2001, regular evening service is now offered past 11 pm Monday through Saturday on all City routes. Ridership is strong averaging between 22 and 31 rides per hour from 8 pm to 10 pm. However, ridership drops after 11pm (6 trips operate after 11pm) to a very low 5.5 rides per hour. Cost impact of clawing back evening service by one hour so that final trips depart after 10 pm would be approximately 1,800 hours annually.