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City of Kelowna

**MEMORANDUM**

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DATE: April 13, 2004  
FILE: 2240-20  
TO: City Manager  
FROM: Director of Financial Services  
RE: **Conventional & Custom Transit-Annual Operating Agreements**

Report prepared by: Financial Planning Manager

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**RECOMMENDATION:**

THAT Council approve the 2004/2005 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 BC Transit, the City of Kelowna and Farwest Transit Services Inc. covering the period April 1, 2004 to March 31, 2005.

**Background & Comments**

Attached are copies of the March 10, 2004, letters from BC Transit outlining some of the changes to the current year operating agreement for both conventional and custom transit.

The Provincial Government has provided supplementary funding for BC Transit that will, combined with other cost controls and efficiencies from BC Transit, maintain the existing transit services for the Municipal Systems Program in 2004. Additional flex funding by the City of Kelowna and CORD, approved earlier in the year, has provided the service hours necessary to improve schedule reliability for the conventional transit service.

**Conventional Transit Service**

The total costs under this agreement for the 2004 fiscal year are estimated to be \$9,016,900, a 3.7% increase compared to the 2003 amended Annual Operating Agreement. This provides for an additional 2,241 service hours over the 2003 level. The main areas of cost increase are in relation to the expanded service hours and for insurance costs.

Transit ridership for the period is forecast at 2,950,000 passengers (increase of 2.9%) with revenues projected to increase by \$332,400. Overall there is a \$44,300 decrease in

local cost requirements. Cost recovery is estimated at 35.8% for 2004 up from 32.2% in the 2003 amended budget.

**The City of Kelowna is responsible for \$1.2 million of the estimated \$2.2 million net Municipal Share of the regional Conventional Transit program.**

**Custom Transit Service**

The total costs under this agreement for the 2003 fiscal year are estimated to be \$1,317,400, which is a 7.2% reduction from the 2003 operating budget. The main cost adjustments primarily relate to a one-time recovery of Taxi Saver accrued liability and a reduction in the flexible service hours of 1,280 hours.

Passengers for the period are forecast at 128,000 (decrease of 7.2%) with revenues increasing by \$9,900. Cost recovery is estimated at 13.8%, up from the 12.1% level estimated for 2003.

**The City of Kelowna is responsible for \$207,200 of the estimated \$283,700 net Municipal Share of the Custom Transit program.**

The Annual Operating Agreement impacts have not been reviewed by the Regional Transportation Committee due to timing of meetings but will be presented at the next meeting.

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Paul Macklem

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Encl.

cc: Financial Planning Manager  
Transportation Manager