
City of Kelowna

MEMORANDUM

DATE: February 2, 2005
FILE: 8501-01
TO: City Manager
FROM: Financial Planning Manager
RE: **Transit - Annual Operating Agreement Amendments**

RECOMMENDATION:

That Council approve the 2004/2005 Annual Operating Agreement Amendments for conventional and custom transit services for the City of Kelowna reflecting the cost savings due to the change in GST regulations.

And That Council approve the renewal of the operating contract for two, twelve-month periods, upon the annual approval of BC Transit and the City of Kelowna for both the conventional and custom transit service.

Background & Comments

On April 19th, 2004, Council approved the 2004/2005 Annual Operating Agreements (AOA) for conventional and custom transit. Included with the conventional transit agreement was the provision of 'flex funding' where the municipal partners paid 100% of the costs for a service reliability expansion. In May of 2004, the federal government approved legislation to increase the GST rebate from 57.14% to 100% for municipalities. BC Transit is designated as a municipality for purposes of this rebate and thus the City is able to benefit from the change.

The attached letters from BC Transit detail the impacts of the GST changes. The Provincial share of the cost savings are being invested back into the operating agreements in which they were generated so that the total saving is realized by the local municipality. For the conventional transit system the GST savings total \$231,500 and the amount of the flex funding was \$239,000. BC Transit has applied the savings towards the flex funding so that the 'Alternate Funding Arrangement' no longer applies. The direct saving to the City of Kelowna will be approximately \$163,000.

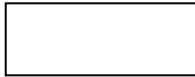
For Custom Transit the total saving is \$36,500 and the provincial share of \$25,600 is being accrued for use in 2005 to help fund expected cost increases. The direct saving to the City of Kelowna in 2004 is \$8,000.

The Kelowna Regional Custom and Conventional Transit contracts were due to expire on March 31, 2005. Under BC Transit policy and with the support of the Central Okanagan Regional Transportation Committee a two year extension is being requested. All existing terms and conditions will be maintained and the cost increase for the conventional transit system will be 1.75% for 2005/06 and 0.8% in 2006/07. For the custom transit system the operating company costs will increase 0.2% and 0.6% for the next two years.

Relative to the notification dates included in the BC Transit reports; the Regional Transportation Committee has reviewed and approved these amendments. Council has also reviewed the GST implications at the budget considerations on December 16, 2004.

Keith Grayston

Approved for inclusion:



Paul Macklem, CMA
Director of Financial Services

KG
Encl.

cc: Transportation Manager

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