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CITY OF KELOWNA

MEMORANDUM

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**Date:** April 18, 2008  
**File No.:** 8501-01  
**To:** City Manager  
**From:** Financial Planning Manager  
**Subject:** Transit - 2008/09 Annual Operating Agreements

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**RECOMMENDATION:**

THAT Council approve the 2008/2009 Annual Operating Agreements for conventional and custom transit services for the City of Kelowna;

And That the Mayor and City Clerk be authorized to execute the Operating Agreements between BC Transit, the City of Kelowna and Farwest Transportation Services Inc. covering the period April 1, 2008 to March 31, 2009;

And Further That administration of the Custom Transit service be changed so that HandyPass applications are processed through our transit contractor with Taxi Saver coupons available for purchase through City Hall or the transit contractor.

**BACKGROUND:**

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

**Conventional Transit Service**

The total costs under this agreement for the 2008 fiscal year are estimated to be \$14,976,400, a 12.7% increase compared to the 2007 amended Annual Operating Agreement. This provides for an additional 16,086 service hours over the 2007 level. The main areas of cost increase are in relation to the expanded service hours, increased debt costs, and for vehicle fuel and maintenance costs.

Transit ridership for the period is forecast at 4,100,000 passengers (increase of 9.2%) with revenues projected to increase by \$425,700. Overall there is a \$34,800 decrease in local cost requirements due to the removal of the 'flex funding' requirement and a \$1,271,100 increase in BC Transit's cost share. For a number of years prior to 2007 local governments paid 100% of the cost of expansion and this 'flex funding' has now been cost shared with BC Transit paying their regular share. Cost recovery is estimated at 31.2% for 2008 down from 32.0% in the 2007 amended budget.



This agreement does not cover any expanded service that is anticipated for 2008. An AOA amendment will be required for any additional improvement in service levels.

**The City of Kelowna is responsible for \$2.4 million of the estimated \$3.8 million net Municipal Share of the regional Conventional Transit program.**

### **Custom Transit Service**

The total costs under this agreement for the 2008 fiscal year are estimated to be \$2,115,800 (excluding Peachland Paratransit), which is a 11.7% increase from the 2007 operating budget. The main cost adjustment is primarily due to the expansion of service hours, increased fuel cost and the Taxi programs.

Passengers for the period are forecast at 167,000 (increase of 1.9%) with revenues increasing by \$18,800. Net municipal share is down by \$10,100 for 2008 while BC Transit's share increases by \$209,400 due to the elimination of the flex funding. Cost recovery is estimated at 11.4%, down from the 11.7% level estimated for 2007.

**The City of Kelowna is responsible for \$409,900 of the estimated \$491,600 net Municipal Share of the Custom Transit program.**

### **Custom Transit Administration**

Part of the Custom Transit program involves administering the HandyPass and Taxi Saver initiatives. Initial applications for the HandyDart service are taken through our transit contractor at the Hardy Street transit office. Then the HandyPass could be applied for at City Hall and monthly purchases of Taxi Saver coupons could be made at City Hall. A change was suggested for this complete service to be done at the transit garage by our transit contractor due to a number of reasons. That change met with substantial opposition from the Advisory Committee for People With Disabilities. As a solution to this issue we would like the initial HandyDart and HandyPass applications to be applied through the transit contractor and then monthly Taxi Saver purchases to be at either the transit office or City Hall, whichever is most convenient. Monthly mail-in purchases of the coupons should be through the transit office.

INTERNAL CIRCULATION TO: Transportation Manager for his information.

Considerations that were not applicable to this report:

LEGAL/STATUTORY AUTHORITY:

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:

EXISTING POLICY:

FINANCIAL/BUDGETARY CONSIDERATIONS: Included above

PERSONNEL IMPLICATIONS:

TECHNICAL REQUIREMENTS:

EXTERNAL AGENCY/PUBLIC COMMENTS:

ALTERNATE RECOMMENDATION:

Submitted by:

  
K. Grayston, Financial Planning Manager

Approved for Inclusion:



Director of Financial Services

Attach.

Cc: Transportation Manager

**SYSTEM:** KELOWNA REGIONAL

**TYPE OF SERVICE:** CONVENTIONAL & COMMUNITY BUS

**MUNICIPALITY:** CITY OF KELOWNA  
REGIONAL DISTRICT OF CENTRAL OKANAGAN  
DISTRICT OF LAKE COUNTRY

**OPERATING COMPANY:** FARWEST TRANSIT SERVICES INC.

### **BACKGROUND**

The Kelowna Regional Transit System is the largest Tier 1 system within the Municipal Systems Program providing 164,000 revenue hours of service and carrying 4.1 million passengers annually. The fleet consists of 63 buses, with up to 55 buses in peak service during school days. Three of these vehicles are low-floor hybrid buses and three are Trident double deckers. Community buses currently operate on six routes.

The system was expanded in August 2007 with 14 vehicles added to the fleet and 40,000 hours of service.

### **FINANCIAL ANALYSIS**

Total cost for the 2008/09 AOA is budgeted at \$15,000,000, an increase of \$1.7 million (12.7%) from the amended 2007/08 budget, based on a 10.8% increase in service hours. The increase is explained by:

- Increases in Fixed variable hour costs of, \$180,000 based on year 2 of the RFP and the service expansion
- Variable distance costs increase \$400,000 based on increased litres and a higher fuel price
- Maintenance costs increase \$125,000
- Debt service is up \$180,000 accounting for the expected delivery of 10 double decker buses in exchange for 9 Nova buses.

### **PERFORMANCE ANALYSIS**

Ridership is forecast at 4,100,000 in 2008/09, a 347,000 passenger (9.2%) increase from 2007/08. Ridership performance is projected to be 24.9 passengers per hour, down slightly from the 2007/08 amendment. Revenue is projected at \$4.7 million, up 10% from 2007/08. Cost recovery is projected at 31.2%.

### **FUNDING**

The BC Transit share of costs increases by \$1,271,000 to \$6,221,000. The combined Net Municipal share of costs decreases \$35,000 to \$3,834,000. Approximately \$1.5 million of what would have been flex funded costs are now cost shared. Revenue increases by \$426,000.

**Information & Performance Summary**  
**Kelowna Regional Conventional Transit & Community Bus**

	Official AOA Amendment #1 2007/2008	Official AOA 2008/2009 \$ / #	Variance %
<b>ANNUAL OPERATING AGREEMENT</b>			
<b>BUDGET SUMMARY</b>			
Total Costs	\$13,287,316	\$14,976,395	\$1,689,079 12.7%
Total Revenue	\$4,254,274	\$4,680,000	\$425,726 10.0%
BCT Share of Costs	\$4,949,613	\$6,220,677	\$1,271,064 25.7%
Net Municipal Share	\$3,868,674	\$3,833,887	-\$34,786 -0.9%
<b>PERFORMANCE SUMMARY</b>			
<b>Level of Service</b>			
Population Served	115,100	115,100	0 0.0%
Number of Vehicles in Service	63	63	0 0.0%
Revenue Hours of Service	148,312	164,398	16,086 10.8%
<b>Effectiveness</b>			
Annual Revenue Passengers	3,753,400	4,100,000	346,600 9.2%
Conventional	3,753,400	4,100,000	346,600 9.2%
Total Revenue Passengers per Capita	32.6	35.6	3.0 9.2%
Total Passengers per Hour	25.3	24.9	-0.4 -1.5%
Total Cost per Passenger	\$3.54	\$3.65	\$0.11 3.2%
Cost Recovery	32.02%	31.25%	-0.01 -2.4%
Total Operating Cost of Service per Revenue Hour	\$79.75	\$81.04	\$1.29 1.6%
Total Cost of Service per Revenue Hour	\$89.59	\$91.10	\$1.51 1.7%

**SYSTEM:** KELOWNA REGIONAL  
**TYPE OF SERVICE:** CUSTOM  
**MUNICIPALITY:** CITY OF KELOWNA  
**OPERATING COMPANY:** FARWEST TRANSIT SERVICES INC.

### **BACKGROUND**

The Kelowna Regional Custom Transit provides custom transit service in the City of Kelowna, as well as in the Regional District of Central Okanagan in the areas of Westside and Peachland. The system operators Monday through Saturday with 17 vehicles in-service (16 for custom and 1 for community bus). The service also includes Taxi Supplement and Taxi Saver programs as well as a travel training program. This is the largest custom transit operation in the Municipal Systems Program.

The agreement annualizes the custom service expansion that took place in August 2007 and January 2008.

### **FINANCIAL ANALYSIS**

Total costs for 2008/09 is budgeted at \$2,300,000, an increase of \$230,000 (10.6%) from the amended 2007/08 budget, based on a 9% increase in service hours. The increase is explained by: Combined costs for the custom and Peachland community bus service in 2007/08 are budgeted at \$1,959,000. This represents a \$201,000 (11.4%) increase from the 2007/08 budget. The increase is primarily due to:

- Increases in fixed and variable hourly costs.
- Maintenance costs increase by \$10,000.
- Variable distance costs increase \$40,000 based on annualized expansion and a higher fuel price.
- Insurance costs and Debt service are up \$10,000 due to the additional vehicles and planned vehicle replacements.

### **PERFORMANCE ANALYSIS**

Ridership is forecast to be 194,000 in 2008/09, a 2.6% increase from 2007/08 consisting of 125,000 van rides, 16,000 taxi supplement, 26,000 Taxi Saver and 27,000 Peachland. Ridership performance is projected to be 3.8 passengers per hour for the custom service. Peachland rides are up 8% based on existing trends. Revenue is projected at \$240,000 for custom and \$24,000 for Peachland. Cost recovery is projected at 11.35% custom and 13.6% Peachland.

### **FUNDING**

The BC Transit share of costs increase by \$213,000 to \$1,429,000. The Net municipal share of costs decreases by \$10,000 to \$561,000. This is a result of the provincial government decision to restore full cost sharing of flex funding. Revenue increases by \$22,000.

## Information &amp; Performance Summary

## Kelowna Regional Custom Transit

Official AOA Amendment # 1  
2007/2008Official AOA      Variance  
2008/2009 \$ / #      %

## ANNUAL OPERATING AGREEMENT

## BUDGET SUMMARY

Total Costs	\$1,893,753	\$2,115,848	\$222,095	11.7%
Total Revenue	\$221,228	\$240,067	\$18,839	8.5%
BCT Share of Costs	\$1,137,505	\$1,346,875	\$209,370	18.4%
Net Municipal Share	\$501,744	\$491,632	-\$10,112	-2.0%

## PERFORMANCE SUMMARY

## Level of Service

Population Served	176,300	176,300	0	0.0%
Registered Users	1,750	1,750	0	0.0%
Number of Vehicles in Service	16	16	0	0.0%
Revenue Hours of Service	29,920.00	32,604.00	2,684.00	9.0%

## Effectiveness

Annual Revenue Passengers	163,935	167,000	3,065	1.9%
Custom/Para - Vans	113,735	125,000	11,265	9.9%
Custom/Para - Taxi Supplement	16,200	16,000	-200	-1.2%
Taxi Saver	34,000	26,000	-8,000	-23.5%
Custom Rides per Registered User	94	95	2	1.9%
Van Passengers per Revenue Hour	3.8	3.8	0.0	0.9%
Total Cost per Passenger	\$11.55	\$12.67	\$1.12	9.7%
Van Cost per Van Passenger	\$14.08	\$14.41	\$0.33	2.3%
Taxi Cost per Taxi Passenger	\$5.83	\$7.50	\$1.67	28.7%
Cost Recovery	11.68%	11.35%	0.00	-2.9%

## Efficiency

Total Operating Cost of Service per Revenue Hour	\$50.59	\$52.28	\$1.69	3.3%
Total Cost of Service per Revenue Hour	\$53.52	\$55.23	\$1.72	3.2%