



March 10, 2004
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Mr. R. W. Westlake,
Transportation Manager
City of Kelowna
1435 Water Street,
Kelowna, BC V1Y 1J4

Dear Mr. Westlake:

SUBJECT: 2004/05 Kelowna Regional Custom Transit Annual Operating Agreement

Further to discussions with Farwest Transit Services Inc., enclosed is the 2004/05 Annual Operating Agreement (AOA) for the Kelowna Regional Custom Transit System for approval. An Information and Performance Summary is also enclosed. A fare summary and tariff strategy has been previously circulated for the Municipal Systems Program. This AOA and the previously approved Master Operating Agreement constitute the operating agreements for the transit system. The Kelowna Regional Custom Transit System is entering Year 5 of a five-year contract term.

For the Municipal Systems Program as a whole, the provincial operating budget contribution in 2004/05 will maintain existing transit services at current cost-sharing ratios. Gregory Slocombe, Chair of BC Transit has noted in previous correspondence that the efforts of all parties to find efficiencies, control costs and secure supplementary provincial funding in 2003/04, and now 2004/05, have been successful. In addition to the 2004/05 AOA budget as presented, we expect further cost reductions will be achieved from the 100% rebate of the Goods and Services Tax to municipalities, as promised in the federal Throne Speech. We will provide more information to you on the GST savings when the federal legislation is tabled. Finally, we haven't lost sight of the need for a new sustainable long term funding and governance structure for transit. Our Board of Directors will be working with the Ministry of Transportation to advance this issue.

The specific details of this AOA budget are noted below.

FINANCIAL ANALYSIS

Total costs decrease \$100,600 (6.4%) to \$1,477,000 in 2004/05. Costs have been adjusted to reflect:

- The budget reduction is primarily due to a one-time projected recovery on Taxi Saver accrued liability. The recovery is based on the current estimate of the outstanding liability of sold but unused Taxi Saver coupons (\$140,000). As well, the Taxi Saver budget is increased by \$50,000 to reflect anticipated usage.
- Taxi supplement is increased by \$5,500.
- Service hours are reduced by 1,300 to reflect the actual usage.
- Increase in operating company fixed costs (1.5%).
- Increase in driver benefits (1.0%).
- Debt service costs are reduced by \$8,000. One new replacement minibus is scheduled for delivery in October 2004. Two other vehicles are retired from debt service in July 2004 and February 2005 respectively.
- Increases in insurance costs (\$9,000) as a result of industry trends.

PERFORMANCE ANALYSIS

Ridership for the 2004/05 period is forecast at 155,000, consisting of 27,000 Peachland passengers, 96,000 van passengers, 8,000 taxi supplement and 24,000 Taxi Saver. The number of taxi passengers is unchanged due to a higher average cost per ride. Revenue is up 4% overall based on a fare increase effective September 2003. Ridership performance is forecast at 3.7 rides per hour on the custom service and 7.7 rides per hour on the Peachland Community Bus.

The Net Municipal share of costs is \$341,000 (\$284,000 for the custom service and \$57,500 for the Peachland Community Bus service). This reflects an overall 11.1% decrease from the previous year. Costs and revenues for each of the services has been apportioned based on usage of service hours and taxi based programs.

The BC Transit share of costs decreases by \$66,000. This includes a shift in the Peachland portion of the service based on a change in the proportion of reported passengers with a disability and able bodied passengers. This proportion is used to calculate cost sharing for paratransit services.

The agreements may be approved by resolution. Once the agreements have received signature/seal from the municipalities, please forward to Farwest Transit Services Inc. for approval with a request to return all originals to the undersigned for execution by BC Transit. The operating company must return the agreements to BC Transit by April 30, 2004 so that the April payment to the operating company can be processed.

Please call if you have any questions on the attached material.

Yours truly,



Steve Segal
Custom Program Coordinator
Municipal Systems Program

Copy: Alvin Zaharko, Farwest Transit Services Inc.

Attachments: 3 Annual Operating Agreements
2 Information and Performance Summaries

Information & Performance Summary

Kelowna Regional Custom

	03/04 AOA AMENDMENT Base Budget 2003/2004	Official AOA Base Budget 2004/2005	Variance \$/# %	
ANNUAL OPERATING AGREEMENT				
BUDGET SUMMARY				
Total Costs	\$1,419,213	\$1,317,403	-\$101,811	-7.2%
Total Revenue	\$172,140	\$182,000	\$9,860	5.7%
BCT Share of Costs	\$891,266	\$828,841	-\$62,425	-7.0%
Net Municipal Share	\$331,128	\$283,716	-\$47,412	-14.3%
PERFORMANCE SUMMARY				
Level of Service				
Population Served	162,600	162,600	0	0.0%
Number of Buses in Service	13	13	0	0.0%
Revenue Hours of Service	27,456.00	26,176.00	-1,280.00	-4.7%
Effectiveness				
Annual Revenue Passengers	138,000	128,000	-10,000	-7.2%
Custom/Para - Vans	106,000	96,000	-10,000	-9.4%
Custom/Para - Taxi Supplement	8,000	8,000	0	0.0%
Taxi Saver	24,000	24,000	0	0.0%
Total Revenue Passengers per Capita	0.85	0.79	-0.06	-7.2%
Van Passengers per Revenue Hour	3.9	3.7	-0.2	-5.0%
Total Cost per Passenger	\$10.28	\$10.29	\$0.01	0.1%
Van Cost per Van Passenger	\$11.68	\$12.97	\$1.29	11.1%
Taxi Cost per Taxi Passenger	\$5.67	\$2.26	-\$3.41	-60.2%
Cost Recovery	12.1%	13.8%	0.0	13.9%
Efficiency				
Total Operating Cost of Service per Revenue Hour	\$42.06	\$44.72	\$2.65	6.3%
Total Cost of Service per Revenue Hour	\$45.08	\$47.57	\$2.49	5.5%

Information & Performance Summary

Kelowna Peachland Paratransit

	03/04 AOA AMENDMENT Base Budget 2003/2004	Official AOA Base Budget 2004/2005	Variance	
			\$ / #	%
ANNUAL OPERATING AGREEMENT				
BUDGET SUMMARY				
Total Costs	\$162,309	\$159,484	-\$2,826	-1.7%
Total Revenue	\$27,840	\$25,920	-\$1,920	-6.9%
BCT Share of Costs	\$75,975	\$73,288	-\$2,686	-3.5%
Net Municipal Share	\$55,728	\$57,507	\$1,779	3.2%
PERFORMANCE SUMMARY				
Level of Service				
Population Served	5,000	5,000	0	0.0%
Number of Buses in Service	1	1	0	0.0%
Revenue Hours of Service	3,521.47	3,497.15	-24.32	-0.7%
Effectiveness				
Annual Revenue Passengers	29,000	27,000	-2,000	-6.9%
Conventional	29,000	27,000	-2,000	-6.9%
Total Revenue Passengers per Capita	5.80	5.40	-0.40	-6.9%
Van Passengers per Revenue Hour	8.2	7.7	-0.5	-6.2%
Total Cost per Passenger	\$5.60	\$5.91	\$0.31	5.5%
Cost Recovery	17.2%	16.3%	0.0	-5.2%
Efficiency				
Total Operating Cost of Service per Revenue Hour	\$42.56	\$43.04	\$0.48	1.1%
Total Cost of Service per Revenue Hour	\$46.09	\$45.60	-\$0.49	-1.1%