



2022-23 Annual Operating Agreement - Budget Notes

April 5, 2022

For the Kelowna Regional Transit System

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I am pleased to provide these budget notes to assist you in reviewing your Annual Operating Agreement Schedule C budget(s). Your attached budget(s) include only estimated costs and revenues associated with your base (existing) transit service levels and assume no change in service hours. Please note that your detailed Schedule C Budgets contain commercially-confidential information, which is provided by the operating company and is subject to protection by the *Freedom of Information & Protection of Privacy Act*. These detailed budgets, along with this Budget Notes document, should be treated as confidential and not included in a public meeting package.

If you have any questions or concerns, please bring them to my attention as soon as possible.

Budget Notes

The bullets below provide system-specific notes on factors specifically influencing your budget beyond the common cost drivers noted in the cover letter.

Revenue

- Assumptions for revenues related to Farebox Cash and Tickets & Passes are based on our most current information and trends.
- Free Fares for Youth 12 & Under is budgeted as passenger revenue. Budget figures reflect the total compensation for your transit system.
- BC Bus Pass revenue directly reflects information provided by the Ministry of Social Development and Social Innovation and is not expected to be impacted by COVID-19.
- Advertising revenue is based on City of Kelowna's contract with Lamar advertising

Operating Costs

- Fuel is budgeted at \$1.36/litre. Volatility in the fuel market has resulted in an increase in the budgeted fuel price.
- Enhanced Cleaning – This budget is for incremental Level 2 cleaning that must be performed by all operating companies. This was previously identified as "COVID Expenses" in your 2021-22 AOA.
- Fleet maintenance is based on current trends and includes budgets for both routine maintenance and accidents.
- ICBC Insurance is based on actual results to date.
- **Excess insurance** – increase due to rising cost of risk insurance premiums.

- **Revenue Services** – This budget line is for administration and expenses related to the new Electronic Fare Collections system. Costs were previously reflected in the Information Systems line.
- **BCT Management Services** – With advances and improvements made to fleet, operations, and ERP processes, adjustments have been made to reflect actual costs associated with maintaining and expanding services that supports your system within the Shared Services Model. The Shared Services Model allows BC Transit to support your community on planning efforts, provide administrative functions pertaining to finance, fleet, and infrastructure, works with the province to assess funding, arranges and manages operations, and turns municipal priorities into transit operating and capital plans. This cost has been set at the maximum allowable 8 per cent of Total Direct Operating Costs, which is the allocated cost of shared services at BC Transit.

Lease Fees

- Lease Fees no longer include the Risk Protection Fund.
- Increases to equipment lease fees are primarily due to the addition of shared services IT upgrades.

Operating Reserve/Local Transit Fund

- The Local Transit Fund has been applied pursuant to the direction you have provided.