



April 5, 2022

BY EMAIL: lyle.smith@rdco.com

Lyle Smith
Chief Financial Officer
Regional District of Central Okanagan
1450 KLO Road
Kelowna, BC V1W 3Z4

Dear Lyle,

Re: FY2023 Annual Operating Agreement – Regional District of Central Okanagan

As we provide you with your 2022-2023 Annual Operating Agreement (AOA), we want to take the opportunity to update you on changes reflected in your agreement and highlight key pieces of information for your consideration.

Over the last two years, we have provided essential transportation services to communities around the province in the face of significant operational challenges. As we now begin to emerge from two years of pandemic restrictions, we are focused on the goal of recovering ridership and delivering several exciting projects that will help support this overall effort.

It is important to acknowledge the economic headwinds that we are currently facing, and the challenges associated with fuel price volatility. Fuel accounts for 6% of our total budget and we monitor trends in fuel pricing on an almost daily basis. However, we know that higher fuel prices typically result in higher ridership, and we are already seeing those results in many of our transit systems. This also underlines the importance of our transition to a low-carbon fleet and our decreasing reliance on diesel fuel by introducing Compressed Natural Gas buses to our fleet, along with the delivery of our first 10 battery-electric buses in Victoria in the very near future.

Work is also well underway to deliver on key initiatives as part of our Smart Bus Program, including the expansion of Automatic Vehicle Location technology through our NextRide program to another 315 buses in systems across the province, and the launch of Umo, our new and innovative electronic fare system. Both projects are aimed at enhancing the customer experience and will support our ongoing efforts to bring our riders back. Costs associated with administration and related expenses for these projects are reflected in your budget.

As part of our service strategy for 2022-23, BC Transit is working with local governments around the province to identify options to reallocate service hours to high ridership growth areas, investigate vehicle right-sizing opportunities, increase customer satisfaction through improved on-time performance, and promote effective land use decisions. We will also be developing a strategy for increasing engagement with First Nations and supporting meaningful reconciliation, as well as continuing to progress the use of GBA+ (Gender-Based Analysis) in public engagement, service planning and infrastructure projects.

The language contained in the Annual Operating Agreement is regularly reviewed and updated to reflect any material changes to our funding model or other special circumstances. You will note a change to your 2022-23 agreement that involves the removal of language related to the Operating Reserve and reflects the full utilization of any remaining operating reserves in the 2021-22 fiscal year.

In addition, the Free Transit 12 and Under (FT12U) program is continuing in 2022/23 and the fare revenue provided for this is included in your Schedule C. The methodology for calculating this amount uses the Capital Regional District 2017 Household Travel Survey and BC Stats population data to determine an indexed mode share of children age 5 - 12. This was applied to your 2018/19 annual fare revenue to obtain the annual compensation amount for the program. An additional 8% for potential fraud was added to the FT12U amount.

Finally, a reminder that the information contained in your Detailed Schedule C budget includes commercially confidential information from our operating company and is subject to protection afforded by the *Freedom of Information and Protection of Privacy Act*. Any reports to Council or Regional Boards, or any discussions which may be made within the public realm must be limited to four line items showing Revenues, Total Operating Costs, Total Costs and Total Local Government's Share of Costs. The schedules attached to your Annual Operating Agreement have been modified accordingly.

As required by the Provincial Operating Agreement, all AOAs must be signed and returned to BC Transit no later than **June 30, 2022**.

If you have any questions regarding your agreement or the associated budget, please contact me at cmossey@bctransit.com at your earliest convenience so I can provide you with any additional information that you require.

Sincerely,



Chelsea Mossey
Senior Manager, Government Relations

CF/kr

Enclosed: FY2023 Annual Operating Agreement - Central Okanagan