

---

**SUBJECT: 2020/21 BUDGET AND TAXATION REGULATION**

**PURPOSE**

The 2020/21 Budget and associated Taxation regulation is submitted to the Victoria Regional Transit Commission (the “Commission”) for **APPROVAL**.

**BACKGROUND**

The 2020/21 Budget presented is aligned with the operating and capital projections approved by the Province and forms part of BC Transit’s 2020/21 – 2022/23 Service Plan. This budget includes the annualization of operating expenses for the conventional service expansion implemented in September 2019 (20,000 annual hours). At the June 11, 2019 meeting, the Commission also approved an additional 20,000 annual expansion hours to be included in the 2020/21 budget for implementation during 2020/21.

**DISCUSSION**

The 2020/21 Budget for the Victoria Regional Transit System includes the following:

**Revenue**

- Passenger revenues reflect annualization of 2019/20 service expansion and part-year implementation of the 2020/21 service expansion based on ridership and fare trends to date
- Fuel tax revenue is aligned with the 2019/20 year-end forecast
- The use of \$5.8M in operating reserves to offset cost increases in 2020/21.

**Operating Expenses**

- Operations and maintenance costs reflect annualization of 20,000 hours of conventional service expansion in 2019/20 and part-year implementation of 2020/21 service expansion
- Labour and benefit increases for union and non-unionized staff in alignment with provincial mandate
- Average fuel price of \$1.18 per litre
- \$0.8M for consulting and professional fees for initiating the View Royal/Colwood Transit Priority project and a Facilities master plan
- An average increase in operating expenses of 3.4% from prior years’ budget including service expansion

**Lease fees**

- Commission share of use of asset fees associated with planned replacement of vehicles and major capital repairs
- Standardized Lease Fee (SLF) review completed in December 2019 increased heavy-duty and high-capacity vehicles lease fees while reducing light-duty vehicle lease fees
- 8 additional high capacity vehicles to support 2020/21 service expansion
- Ongoing facility maintenance

The final 2020/21 total budget is summarized in the following table:

<i>(figures in thousands)</i>	<b>Budget 2019/20</b>	<b>Forecast 2019/20</b>	<b>Base Budget 2020/21</b>	<b>Expansion 2020/21</b>	<b>Total Budget 2020/21</b>
<b>Revenues</b>					
Passenger & Adv Revenue	\$43,289	\$44,152	\$44,432	\$215	\$44,647
Provincial Oper Contribution	40,256	40,256	41,156	331	41,487
Fuel Tax Revenue	19,360	19,300	19,360	0	19,360
Local Contribution	31,728	30,165	35,123	677	35,800
Operating Reserve Required	6,134	6,134	5,828	0	5,828
<b>Total</b>	<b>\$140,767</b>	<b>\$140,007</b>	<b>\$145,898</b>	<b>\$1,223</b>	<b>\$147,121</b>
<b>Expenses</b>					
Operating Costs	\$121,489	\$119,592	\$124,599	\$1,044	\$125,644
Lease Fees (local share)	19,278	18,518	21,298	179	21,477
<b>Total</b>	<b>\$140,767</b>	<b>\$138,110</b>	<b>\$145,898</b>	<b>\$1,223</b>	<b>\$147,121</b>
<b>Service Hours</b>	<b>988</b>	<b>984</b>	<b>991</b>	<b>9</b>	<b>1,000</b>
<b>Passengers</b>	<b>27,942</b>	<b>28,314</b>	<b>28,583</b>	<b>138</b>	<b>28,721</b>

### Operating Reserves

The opening balance as of April 1, 2020 is forecast to be \$11.7M. The budgeted contribution for 2020/21 is \$5.8M, leaving a projected balance of \$5.8 million for future years as shown in the following table:

<b>OPERATING RESERVE FUND</b>	<b>2019/20 Budget</b>	<b>2019/20 Forecast</b>	<b>2020/21 Budget</b>
<i>(figures in thousands)</i>			
<b>Opening Balance</b>	<b>\$15,893</b>	<b>\$15,893</b>	<b>\$11,656</b>
Budgeted reserve required	\$6,134	\$6,134	\$5,828
Budgeted operating expenses	\$121,489	\$121,489	\$125,644
Projected operating expenses	\$121,489	\$119,592	\$125,644
<b>Ending Balance</b>	<b>\$9,759</b>	<b>\$11,656</b>	<b>\$5,828</b>

Below are three options for the average per household transit levy. Estimates are calculated using the January 2020 valuations from BC Assessment.

			Option 1	Option 2	Option 3
	2019/20	2019/20	2020/21	2020/21	2020/21
<i>(figures in thousands)</i>	Budget	Forecast	Budget	Budget	Budget
<b>FUNDS GENERATED FROM PROPERTY TAXATION</b>					
<b>Estimated Transit Levy per Average Household</b>	<b>\$138.50</b>	<b>\$138.50</b>	<b>\$142.50</b>	<b>\$145.50</b>	<b>\$148.00</b>
Current funds generated from Transit Levy	\$31,595	\$31,666	\$33,871	\$34,528	\$35,166
Balance from/(to) Transit Fund	\$133	(\$1,501)	\$1,929	\$1,272	\$634
<b>Total Local Contribution</b>	<b>\$31,728</b>	<b>\$30,165</b>	<b>\$35,800</b>	<b>\$35,800</b>	<b>\$35,800</b>
<b>TRANSIT FUND</b>					
<b>Opening Balance</b>	<b>\$6,389</b>	<b>\$6,389</b>	<b>\$7,953</b>	<b>\$7,953</b>	<b>\$7,953</b>
Interest less Contribution to Cowichan Commuter	4	63	71	71	71
Lower Lease fees/Higher Fare Revenue	-	1,623	-	-	-
Funds Contributed to Expenses	(133)	(122)	(1,929)	(1,272)	(634)
<b>Ending Balance</b>	<b>\$6,260</b>	<b>\$7,953</b>	<b>\$6,096</b>	<b>\$6,752</b>	<b>\$7,390</b>
Restricted Balance (2.5% of Operating Costs)	\$3,037	\$2,990	\$3,141	\$3,141	\$3,141
Unrestricted Balance	\$3,223	\$4,963	\$2,955	\$3,611	\$4,249

Option 1 – increases the average per household levy by \$4.00 (3%) to \$142.50, raising an additional \$2.2M in tax levy revenue. The Transit Fund would be drawn down by \$1.9M to pay for remaining balance of Commission share in 2020/21

Option 2 – increases the average per household levy by \$7.00 (5%) to \$145.50, raising an additional \$2.9M in tax levy revenue. The Transit Fund would be drawn down by \$1.3M to pay for remaining balance of Commission share in 2020/21

Option 3 – increases the average per household levy by \$9.50 (7%) to \$148.00, raising an additional \$3.5M in tax levy revenue. The Transit Fund would be drawn down by \$0.6M to pay for remaining balance of Commission share in 2020/21

## RECOMMENDATION

It is recommended that the Commission:

- **APPROVE** the 2020/21 Budget; and
- **APPROVE** Option 2 for a tax regulation that sets the average residential levy at \$145.50.

Respectfully,

Megan Hill  
Director, Budgeting & Forecasting

Attachment: 2020/21 Operating Budgets (Conventional and Custom)

Attachment 1:

**Victoria Conventional Transit**

<b>Expenditures (000's)</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>
Wages & Benefits	63,793	67,826
Fuel	11,532	9,863
Fleet Maintenance	8,964	7,734
Infrastructure Maintenance	2,769	3,307
Insurance	2,170	2,430
Uniforms	269	295
Consulting & Professional Fees	385	-
Scheduling	246	271
Information Systems	2,728	3,449
Radio Communications	730	745
Office Supplies/Courier/Postage	166	177
Training & Education	823	1,608
Travel/Conferences	27	45
Security	729	538
Marketing & Communications	734	749
Leases - Property & Buildings	65	602
Property Taxes	253	433
Shared Services	13,155	13,052
Major Operating Project	137	800
Commission Fees & Expenses	6	7
<b>Operating Costs</b>	<b>109,681</b>	<b>113,931</b>
Lease Fees (Local Share)	18,175	20,682
<b>Total Costs</b>	<b>127,855</b>	<b>134,613</b>

**Victoria Custom Transit**

<b>Expenditures (000's)</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>
Fixed costs	1,798	1,834
Hourly Costs - Wages & Benefits	5,529	5,633
Fuel	792	736
Tires	113	116
Taxi Services	839	888
Fleet Maintenance	1,295	1,004
Insurance	190	203
Facility Maintenance & Property Taxes	135	129
Shared Services	1,118	1,171
<b>Operating Costs</b>	<b>11,809</b>	<b>11,714</b>
Lease Fees (Local Share)	1,104	795
<b>Total Costs</b>	<b>12,913</b>	<b>12,509</b>