

BC Transit

2018/19

ANNUAL SERVICE PLAN REPORT

July 2019



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Board Chair's Accountability Statement



The BC Transit *2018/19 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2018/19 - 2020/21 Service Plan* created in January 2018. I am accountable for those results as reported.

Catherine Holt

Catherine Holt
Board Chair

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Chair/CEO Report Letter

In 2018/19, BC Transit aligned its strategic direction and performance expectations to the Province's policy objectives as defined in its Mandate Letter, issued in January 2018. This included improving the provision of cost-effective and sustainable conventional and custom transit services in support of the government's commitment to make life more affordable, to deliver services that people count on, and to build a strong, sustainable and innovative economy. These efforts resulted in a year over year total annual ridership increase of six per cent. In recognition of the commitment to adopt the United Nations Declaration on the Rights of Indigenous Peoples and the calls to action of the Truth and Reconciliation Commission of Canada, BC Transit respectfully consulted and collaborated with Indigenous peoples in British Columbia to plan and implement projects and services, especially in areas with limited mobility options.

BC Transit's relationship with the Ministry of Transportation and Infrastructure has enabled productive communication protocols over the last year. Meetings between the Minister and BC Transit's Board Chair and President/Chief Executive Officer, as well as between the Assistant Deputy Minister and the President/CEO fostered strong strategic alignment. Staff from both BC Transit and the ministry engaged in ongoing consultation to meet their respective organization's priorities.

BC Transit's Board of Directors and its executive team continue to enhance their professional development activities to meet their obligations. This included the Board Chair attending a Crown Board Chairs' Meeting, hosted by the Crown Agencies and Board Resourcing Office.



Catherine Holt
Board Chair



Erinn Pinkerton
President and Chief Executive Officer

Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous years' Service Plan.

Purpose of the Organization

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation across British Columbia with the exception of those areas serviced by TransLink (Metro Vancouver). More than 1.8 million British Columbians in over 130 communities across the province have access to BC Transit local and regional transit services.

BC Transit operates under the [British Columbia Transit Act](#), which provides it with a mandate to plan, implement, maintain and operate public transportation systems which support growth, community planning, and economic development. BC Transit's operations reflect the priorities and values of the government and its shareholders—the citizens of B.C.

BC Transit's shared services model helps to ensure the most efficient and effective delivery of transit services across all transit systems. In most Regional Transit Systems, service is provided through a partnership between BC Transit, local government, and a contracted transit management company. Under this partnership model, BC Transit provides a variety of shared services available for all transit systems such as asset management and construction, procurement, marketing, planning and scheduling, and safety and training expertise.

BC Transit's activities include planning, financial management, marketing, asset management, supply chain management, the provision of safety and human resources expertise, and contracting for the operation of transit services. BC Transit also operates the conventional service in the Victoria Regional Transit System. The funding of transit service is provided by customer fares, advertising revenues, regional motor fuel tax (in the Victoria system) and the remainder is funded through a partnership of local governments and the Provincial Government through BC Transit. Information about BC Transit's Corporate Governance is provided in Appendix A.

Strategic Direction

BC Transit's strategic direction, as defined in its [Mandate Letter](#) issued in January 2018, is to coordinate the provision of transit services in support of government's priorities, providing effective transit services to the people of British Columbia. In alignment with provincial goals and objectives, BC Transit made transit improvements in both conventional and custom services across the province in 2018/19. The strategic direction set by the Provincial Government in 2018/19 and expanded upon in the Board Chair's [Mandate Letter](#) from the Minister of Transportation and Infrastructure in 2018 shaped the [2018/19 Service Plan](#) and the results reported in this ASPR.

The Provincial Government’s operating investment in BC Transit, which saw an increase over the 2018/19 reporting period, remains the highest per capita in Canada and enabled accelerated growth in transit services in response to increasing demand. BC Transit delivered efficient and effective transit service to over 130 communities across the province. While the operating costs for most transit systems across Canada are primarily funded by local governments, BC Transit systems’ costs are shared between the Province and local governments.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in the *2018/19 BC Transit Service Plan*:

Government Priorities	BC Transit Aligns with These Priorities By:
Making life more affordable	<ul style="list-style-type: none"> • Objective 2.2: Cost Efficiency (Corporate)
Delivering the services people count on	<ul style="list-style-type: none"> • Objective 1.1: Service Effectiveness (Transit System) • Objective 1.2: Planning and Integration (Corporate) • Objective 1.3: Service Delivery (Transit System) • Objective 1.4: Information Effectiveness (Corporate) • Objective 3.1: Accessibility (Transit System) • Objective 3.2: Safety (Corporate) • Objective 3.3: Quality of Service (Corporate)
A strong, sustainable economy	<ul style="list-style-type: none"> • Objective 1.5: Brand Awareness (Corporate) • Objective 2.1: Increase Revenue (Corporate) • Objective 3.4: Environmental Impact Accountability (Transit System) • Objective 4.2: Partner Satisfaction (Corporate)

Operating Environment

BC Transit continued to work with its partners to optimize and grow existing services in 2018/19 to ensure they remained cost-effective while meeting increasing customer demand. These efforts resulted in a year over year total annual ridership increase of six per cent which is the highest growth attained since 2008/09. Approximately 58,000 annualized service hours, an increase of almost four per cent, were added by implementing 23 service expansion across 17 transit systems (including Squamish, Vernon, Whistler, Skeena, Kelowna Regional, Salt Spring Island, Cowichan Valley, Powell River, Creston, West Kootenays, Comox Valley, Kamloops, Chilliwack, Fraser Valley, Victoria, Williams Lake and Nanaimo) to support improved service reliability, frequency, and service to new areas.

Service expansions across the province included the introduction of new transit routes, improved frequency, extended hours of operation, and investments in custom handyDART service. Transit services in the northern part of BC were also enhanced in support of the Province’s efforts to enable residents of First Nations communities and municipalities to travel safely in the region.

Over the reporting period, BC Transit continued the implementation of key infrastructure projects supported by the Federal Government’s Public Transit Infrastructure Fund Program and also initiated new projects as part of the Investing in Canada Infrastructure Program. These projects include new

and expanded transit operations facilities in Victoria, Campbell River, Cowichan Valley and the Central Fraser Valley, which will support the growth of services in these regions. In addition, BC Transit's real-time bus location technology, NextRide, was implemented in six transit systems. This real-time technology allows customers to use BC Transit's website or their mobile devices to track the location of their bus. NextRide also reduces barriers for the visually impaired by enabling automatic next stop announcements, and provides passenger information displays on-board buses and at selected bus stops to assist those with hearing impairments. BC Transit successfully secured federal funding for Phase 2 of the NextRide project, which will see the technology implemented in all conventional urban transit systems across British Columbia.

BC Transit continued to leverage its fleet replacement program to reduce the increasing maintenance costs of an aging fleet, while supporting the Province's greenhouse gas reduction targets by implementing more fuel-efficient and green technology. In 2018/19, this included the development of the Low Carbon Fleet strategy and the expansion of Compressed Natural Gas (CNG) buses across the province. Battery-Electric Bus (BEB) pilots were conducted in Victoria to help determine the state of readiness and operational capabilities of this type of technology and how BEBs may factor into moving to a low carbon fleet.

As the population of seniors and those requiring accessible transportation continues to increase, the demand for custom transit service has also continued to grow. In 2018/19, BC Transit continued the implementation of an enhanced custom registration program, which matches individuals to the most appropriate transit service type based on ability. BC Transit also completed a review of its custom transit services, resulting in a number of proposals to make services more effective and efficient.

Finally, to facilitate response to the changing landscape of transportation, BC Transit initiated the development of a new Strategic Plan to set the framework and performance objectives for the next five to ten years, and to refresh the focus of the organization. Since the partnership model is what makes public transit so successful in communities across British Columbia, the strategic planning process has included many engagement opportunities with stakeholders, including staff, local governments, regional partners, the Province, operating companies and customers.

Report on Performance

BC Transit's service delivery was conducted in accordance with the specific accountabilities prescribed in BC Transit's 2018/19 Mandate Letter issued in January 2018. Performance measures for 2018/19 include measures of transit system performance that reflect the overall health of transit in communities across the province, and corporate performance measures which reflect the overall success of BC Transit in providing transit services. Performance of BC Transit's systems consistently benchmarks well against comparable Canadian transit systems.

Goals, Objectives, Measures and Targets

This performance report highlights BC Transit's results achieved for the fiscal year ending March 31, 2019. The four goals and their corresponding objectives, strategies and performance measures presented in this section are unchanged from the [2018/19 – 2020/21 Service Plan](#) established in February 2018. Performance measure targets for 2019/20 and 2020/21 that were updated

or redefined as part of the [2019/20 – 2021/22 Service Plan](#) have been updated in this report to reflect these changes. See Appendix A for a listing of the performance measure definitions and calculation methodologies for these measures.

Goal 1: Increased Ridership

In support of the Province's commitment to increase transit ridership, BC Transit will develop, deliver and continuously improve transit services which enhance value for its customers. BC Transit will improve perceptions of public transit by connecting with customers, community groups and stakeholders to build awareness of BC Transit services.

Objective 1.1: Service Effectiveness (Transit System)

BC Transit will increase transit ridership by optimizing the service effectiveness of provincial transit systems.

Key Highlights:

- 23 service expansions were implemented in 17 transit systems across the province (including Squamish, Vernon, Whistler, Skeena, Kelowna Regional, Salt Spring Island, Cowichan Valley, Powell River, Creston, West Kootenays, Comox Valley, Kamloops, Chilliwack, Fraser Valley, Victoria, Williams Lake and Nanaimo), amounting to 58,000 annual expansion hours.
- Annual total ridership increased by six per cent.
- To improve service efficiency and reliability, there were 69 service changes delivered in transit systems across the province. These service changes included expansions, seasonal adjustments and service reliability improvements.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.1a Total passenger trips, including taxi (millions) ¹	52.3	54.1	55.3	57.4	56.6	57.8
1.1b Conventional passenger trips per service hour ^{1, 2, 3}	27.8	28.4	27.6	28.9	27.6	27.1
1.1c Custom passenger trips per service hour (excluding taxi) ^{1, 2, 4}	4.0	3.9	3.9	3.9	N/A	N/A

¹ **Data Source:** BC Transit internal tracking data.

² Passenger trips per service hour measures the effectiveness of, and the demand for, transit services as provided and is determined by dividing passenger trips by service hours.

³ Target values correspond to the [2019/20 - 2021/22 Service Plan](#) as the values were adjusted

⁴ Performance measure 1.1c is being retired and new performance measures are included in the [2019/20 – 2021/22 Service Plan](#)

Discussion

Passenger trips per service hour is a measure of the effectiveness of, and the demand for, transit services as provided. The total passenger trips and conventional passenger trips per service hour both exceeded the targets identified in the *2018/19 -2020/21 Service Plan*, while custom passenger trips per service hour met the target.

The 2018/19 total passenger trips and conventional passenger trips per service hour results reflect that the development, delivery, improvement and expansion of transit services has been effective in increasing ridership levels and service utilization rates within conventional transit systems. Additional factors that may contribute to increased ridership include strong economic and employment growth in communities across the province. The 2018/19 custom result remains unchanged from previous years and shows the continuing results of the expansion of the custom registration program in maintaining consistent service effectiveness.

Objective 1.2: Planning and Integration (Corporate)

BC Transit will increase transit ridership by ensuring transit system plans are integrated with community plans and deliver services in the most efficient and effective manner.

Key Highlights:

- Completed the Kelowna Transit Future Action Plan and continued development of plans for Victoria, Nanaimo, Central Fraser Valley, Chilliwack, West Kootenays and Kamloops.
- Completed the Automated Passenger Counter (APC) retrofit project on conventional buses to ensure the collection of reliable service usage data to support service design decisions.
- Continued participation in development of community driven Official Community Plans and Master Transportation Plans in support of increasing transit usage and aligning transit service and land use planning.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.2 Communities with service optimization review completed in past five years ¹	93%	88%	85%	86%	N/A	N/A

Data Source: BC Transit internal tracking data.

¹ Performance measure 1.2 is being retired and is no longer included in the [2019/20 – 2021/22 Service Plan](#)

Discussion

The percentage of communities with a service optimization review completed in the past five years, a measure of BC Transit’s effort to provide transit systems across the province with timely recommendations to increase transit system efficiency and effectiveness, slightly exceeded the target identified in the *2018/19 – 2020/21 Service Plan*. This measure demonstrates BC Transit’s continued efforts to work with local government partners to ensure that local transit needs and priorities are responded to. The 2018/19 result was achieved while balancing resources dedicated to support optimization reviews of existing transit service with planning support for transit service expansions implemented during the reporting period.

Objective 1.3: Service Delivery (Transit System)

BC Transit is a customer centric service. Rider satisfaction builds the foundation for strong transit use. BC Transit will continue to improve service delivery in order to retain existing customers and attract new ones.

Key Highlights:

- To improve safety, 600 buses across the province were equipped with closed circuit television (CCTV) cameras.
- New data received through the Smart Bus program is being used to improve schedule reliability and on-time performance.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.3 Customer satisfaction ^{1,2}	3.50	3.50	3.69	3.57	3.72	3.73

¹ **Data Source:** Annual customer survey, conducted by a third party research firm.

² Customer Satisfaction is determined by the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one ("very poor") to five ("excellent").

Discussion

Customer satisfaction, a measure of the effectiveness of BC Transit in meeting customer expectations for service delivery, did not reach the target for 2018/19. Customer satisfaction is determined by the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one (“very poor”) to five (“excellent”). Key areas where satisfaction improved for customers from previous years include service reliability, reasonable fare prices and frequency of scheduled service. The three most positively viewed attributes of local transit systems are courteous drivers, clean and well maintained buses and personal safety while riding local buses. While customer satisfaction results have remained fairly consistent over the past few years, and improved slightly from 2017/18 levels, it is expected that this measure could improve in future years as BC

Transit continues to expand bus priority infrastructure and introduces expanded transit trip planning tools that improve the customer experience such as Next Ride.

Objective 1.4: Information Effectiveness (Corporate)

BC Transit will increase transit ridership by enhancing online information effectiveness.

Key Highlights:

- NextRide system was introduced in six transit systems (Nanaimo, Comox, Squamish, Whistler, Kelowna and Kamloops).
- Over 30 engagement processes, most of which included an online survey, were initiated and delivered supporting transit planning processes, resulting in engagement with over 5,500 people across the province.
- Broader social media communication was implemented, including expanding into video and live information feeds, particularly during the management of service disruptions caused by inclement weather.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.4 Online communication strategy effectiveness ^{1, 2, 3}	3.70	3.70	3.87	3.77	3.90	3.90

¹ **Data Source:** Annual customer survey, conducted by a third party research firm.

² Online communication strategy effectiveness is determined by the average rating of customer tracking survey respondents when asked to rate the quality of the online information, ranging from one ("very poor") to five ("excellent").

³ Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

Discussion

The online communication strategy effectiveness, a measure of customers' perceptions of BC Transit's online information resources, did not meet the 2018/19 target, however it did improve from the previous two years. This increase is likely attributed to the introduction of the customer-focused NextRide trip planning tools in 2018/19, and much broader social media reach.

Objective 1.5: Brand Awareness (Corporate)

BC Transit will increase transit ridership by building awareness of BC Transit's brand.

Key Highlights:

- Launched major provincial advertising campaigns including "Let Us Do the Driving", "Kids Ride the Bus", "#ExploreBCbyBus" and "GradPass". Also continued to develop strategies to

build community sponsorship partnerships as well as increasing brand exposure through the introduction of BC Transit branded bus shelters.

- Heightened awareness of BC Transit initiatives by hosting 18 media events and issuing 151 media releases.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
1.5 Brand recognition ^{1, 2, 3}	53%	56%	54%	55%	N/A	N/A

¹ **Data Source:** Annual customer survey, conducted by a third party research firm.

² Brand recognition is based on the per cent of customer survey respondents who recognize BC Transit's role in the delivery of transit service in their local system.

³ Performance measure 1.5 is being retired and is no longer included in the [2019/20 – 2021/22 Service Plan](#)

Discussion

Brand recognition, a measure of customers’ awareness of BC Transit’s role in the delivery of transit service in their local community, remained steady for 2018/19 and exceeded the target identified in the *2018/19 – 2020/21 Service Plan*. The 2018/19 result suggests that corporate marketing and communication programs, which highlight BC Transit’s leadership role in providing transit services, continue to maintain customer awareness.

Goal 2: Financial Management

Objective 2.1: Increase Revenue (Corporate)

BC Transit will practice sound corporate financial management by increasing corporate revenue.

Key Highlights:

- Revenue generated from fares was approximately 4 per cent higher than targeted. This can be attributed to increased ridership from service expansions, fare reviews, an increase in ticket and prepaid product sales, and increased UPASS program enrollments.
- Total operating expenses (excluding amortization and interest) were lower than budgeted and can be attributed to lower than budgeted maintenance costs, fuel prices and labour and benefit costs.
- The introduction of the new Enterprise Resource Planning (ERP) system and related processes associated with the new Provincial supply chain distribution centre led to lower maintenance expenses than budgeted.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.1a Conventional operating cost recovery ^{1, 2, 3}	37.4%	36.9%	33.0%	36.7%	32.9%	31.2%
2.1b Custom operating cost recovery ^{1, 2, 4}	9.1%	8.4%	7.8%	8.2%	N/A	N/A

¹ **Data Source:** BC Transit financial system and audited financial statements.

² Operating cost recovery is determined by dividing annual passenger and advertising revenue by operating costs. Revenue forecasts do not assume fare increases as fares are set by Local Government partners. Note custom operating cost recovery includes taxi trip revenues and costs.

³ Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

⁴ Performance measure 2.1b is being retired and new performance measures are included in the [2019/20 – 2021/22 Service Plan](#)

Discussion

Conventional and custom operating cost recovery exceeded the targets identified in the *2018/19 – 2020/21 Service Plan*. A strong level of cost recovery reduces the subsidy from local government taxpayers. The 2018/19 results outperformed the expectations identified in the Service Plan as input costs (e.g. fuel, labour, maintenance and technology costs) were less than expected and passenger revenues exceeded expectations.

Objective 2.2: Cost Efficiency (Corporate)

BC Transit will practice sound corporate financial management by focusing on corporate cost efficiency.

Key Highlights:

- Total ridership grew by 6 per cent and was higher than anticipated. This can be partly attributed to the successful service expansions, improved transit infrastructure and new customer amenities.
- Total operating expenses (excluding amortization and interest) were lower than budgeted and can be attributed to lower than budgeted maintenance costs, fuel prices and labour and benefit costs.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
2.2a Conventional operating cost per passenger trip ^{1, 2, 3}	\$3.79	\$3.84	\$4.23	\$3.81	\$4.34	\$4.57
2.2b Custom operating cost per passenger trip ^{1, 2, 4}	\$16.77	\$18.34	\$19.47	\$18.75	N/A	N/A

¹ **Data Source:** BC Transit financial system and audited financial statements.

² Operating cost per passenger trip reflects annual operating cost divided by passengers carried. Note custom operating cost per passenger trip includes taxi trip costs and passengers.

³ Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

⁴ Performance measure 2.2b is being retired and new performance measures are included in the [2019/20 – 2021/22 Service Plan](#).

Discussion

Operating cost per passenger trip, a measure of the cost efficiency of providing transit service, outperformed the targets identified in the *2018/19 – 2020/21 Service Plan*, for both conventional and custom transit service. Improvements reflect efforts to increase ridership while containing operating costs. The input costs (e.g., fuel, labour, maintenance and technology costs) were also less than expected.

Goal 3: Operational Excellence

Objective 3.1: Accessibility (Transit System)

BC Transit will deliver operational excellence by expanding conventional and custom services in provincial transit systems.

Key Highlights:

- 23 service expansions were implemented in 17 transit systems across the province (including Squamish, Vernon, Whistler, Skeena, Kelowna Regional, Salt Spring Island, Cowichan Valley, Powell River, Creston, West Kootenays, Comox Valley, Kamloops, Chilliwack, Fraser Valley, Victoria, Williams Lake and Nanaimo), which amounted to 58,000 annual expansion hours.
- To improve service efficiency and reliability, there were 70 service changes delivered in transit systems across the province. These service changes included expansions, seasonal adjustments and service reliability improvements.
- Continued participating in development of community driven Official Community Plans and Master Transportation Plans in support of increasing transit mode share and investing in transit.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.1a Conventional service hours per capita ^{1, 2, 4}	1.44	1.44	1.51	1.50	1.39	1.42
3.1b Custom service hours per capita ^{1, 3, 5}	0.25	0.26	0.27	0.26	N/A	N/A

¹ **Data Source:** BC Transit internal tracking data.

² Conventional service hours per capita is determined by the number of conventional service hours delivered divided by

the population that lives within 400 m of fixed route bus service.

³ Custom service hours per capita is determined by the number of custom service hours delivered divided by the population that lives within one kilometre of fixed route bus service (does not include taxi trips).

⁴ Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

⁵ Performance measure 3.1b is being retired and new performance measures are included in the [2019/20 – 2021/22 Service Plan](#)

Discussion

Conventional and custom service hours per capita, measured based on the level of investment and provision of transit service relative to the population living within a reasonable proximity of transit routes, improved from 2017/18 levels, while falling very slightly short of the targets identified in the *2018/19 – 2019/20 Service Plan*. Service hours per capita is a measure of the amount of transit services available to residents of a service area. The 2018/19 results reflect that conventional service expanded at a slightly faster rate than population growth, while custom service levels kept pace with population growth.

Objective 3.2: Safety (Corporate)

BC Transit will deliver operational excellence by ensuring passenger and employee safety.

Key Highlights:

- Maintained the Certificate of Recognition (COR) for Workplace Disability Prevention (WDP).
- Expanded the Stay Onboard program, which is a collaborative injury management program that assists employees by providing early intervention and support to help recover faster and remain connected at work.
- Expanded organizational safety training for all staff including Operations, Maintenance and Administration.
- Developed an implementation strategy for the Full Driver Door program to support deployment across the province to improve driver safety.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.2a Passenger injury claims per million passenger trips ¹	1.0	1.4	1.9	1.6	1.9	1.8
3.2b Workplace injuries per 100 employees ^{2,3}	3.1	2.9	5.1	6.4	4.2	4.2

¹ **Data Source:** Passenger injury claims as reported by ICBC and BC Transit internal tracking data.

² BC Transit internal tracking data.

³ Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

Discussion

Passenger injury claims per million passenger trips, a measure of passenger safety performance that reflects passenger injury claims through ICBC, remained lower than the target identified in the *2018/19 – 2020/21 Service Plan*. The passenger injury claims per million passenger trips performance measure is consistent with the industry standard. The 2018/19 result suggests that BC Transit’s focused improvements in driver training continued to be successful. Further, the implementation of CCTV cameras on buses has assisted in reducing the number of successful claims against BC Transit.

Workplace injuries per one hundred employees, a measure of employee safety using the Total Recordable Injury Rate (TRIT), exceeded the target identified in the *2018/19 – 2020/21 Service Plan*. Contributing factors to this increase include increased safety awareness across the organization as a result of additional training, as well as new programs that encourage employees to report all incidents. It should be noted though that Operator assault incidents have been on a downward trend since 2016/17, likely as a result of the implementation of the CCTV program, and are not contributing to this increase.

Objective 3.3: Quality of Service (Corporate)

BC Transit will deliver operational excellence by maintaining quality of service.

Key Highlights:

- To improve service efficiency and reliability, there were 69 service changes delivered in transit systems across the province. These service changes included expansions, seasonal adjustments and schedule reliability improvements.
- To ensure compliance with service delivery standards, 20 Service Experience Evaluation (SEE) reviews, which are extensive onboard audits of the service experience, were completed on transit systems across the province.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.3 Planned service delivered in conventional transit systems ^{1, 2}	99.9%	99.9%	99.7%	99.9%	99.9%	99.9%

¹ **Data Source:** BC Transit internal tracking data and reports from BC Transit operating partners.

² Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

Discussion

Planned service delivered in conventional transit systems, a measure of the quality and reliability of transit service, exceeded the target identified in the *2018/19 – 2020-21 Service Plan*. Planned service delivered in conventional transit systems is based upon the percentage of transit vehicle trips that are delivered as scheduled. The 2018/19 result reflects BC Transit’s ability to respond to emerging operational challenges (with service changes and expansion resources) to consistently deliver a very high proportion of transit services that are expected, and relied upon, by transit customers. Service reliability is also maintained through the rigorous fleet inspection process and standards.

Objective 3.4: Environmental Impact (Transit System)

BC Transit will deliver operational excellence by being accountable for the environmental impact of its provincial transit systems.

Key Highlights:

- BC Transit continues to implement a bus fleet right-sizing strategy to better match vehicle types and sizes to transit service needs while reducing vehicle greenhouse gas emissions. The benefit of operating a provincial fleet enabled the number of medium duty buses purchased to be maximized, with fleet realignments occurring as required to implement.
- Increased the number of compressed natural gas (CNG) buses deployed across the province, and conducted a pilot trial of Battery-Electric Buses (BEB) in Victoria.
- BC Transit developed the Low Carbon Fleet Strategy to further reduce bus fleet GHG emissions to support provincial targets.
- In collaboration with FortisBC, several transit facility energy assessments were completed across the province to support increased energy efficiency.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
3.4 Carbon (GHG) intensity per service hour ^{1, 2, 3}	28.85	28.50	28.82	27.50	28.35	28.30

¹ **Data Source:** BC Government SMARTTool data and BC Transit internal tracking data.

² Carbon intensity is currently calculated using the Provincial Government’s SMARTTool methodology and is measured by calculating the reportable total emissions of BC Transit’s fleet, facilities and paper usage in carbon dioxide equivalent tonnes.

³ Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

Discussion

Carbon intensity per service hour, a measure of BC Transit’s Greenhouse Gas Emissions (GHG), outperformed the target identified in the *2018/19 – 2020/21 Service Plan*. Carbon intensity per service hour is calculated using the Provincial Government’s SMARTTool methodology and is measured by

calculating the total emissions of BC Transit's fleet, facilities, and paper usage in carbon dioxide equivalent tonnes. The 2018/19 result was primarily achieved through a combination of the right-sizing of BC Transit's fleet to better match vehicle types to transit service needs and the introduction of newer, more fuel-efficient diesel and CNG vehicles across the province.

Goal 4: Strong People and Partnerships

Objective 4.1: Employee Engagement (Corporate)

BC Transit will strengthen its people and partnerships by improving employee engagement.

Key Highlights:

- Created an Engagement and Culture Group (ECG) to encourage employees to provide input and express their views on issues ranging from day-to-day work, resources, the work environment, leadership and their overall satisfaction with the organization.
- As part of the process to update the Strategic Plan, extensive internal and external engagement was executed to consult on how BC Transit can strengthen employee engagement and communications.
- Continued delivery of the Recognizing Excellence and Values (REV) program which is BC Transit's recognition program. This program consolidates the recognition of service, safe driving and safe working, retirement, milestones, as well as the demonstration of BC Transit's Core Values: safety, customer service, sustainability, integrity, innovation and collaboration.

Performance Measure(s)	2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
4.1 Employee engagement ^{1,2}	N/A	67%	N/A	N/A	70%	71%

¹ **Data Source:** Biennial employee survey. Note the 2015/16 Actual result was 63%.

² Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

Discussion

The biennial employee engagement survey did not take place in 2018/19. Starting in 2019/20, the employee engagement survey will be undertaken annually.

Objective 4.2: Partner Satisfaction (Corporate)

BC Transit will strengthen its people and partnerships by sustaining partner satisfaction.

Key Highlights:

- The government relations team has been actively engaged in discussions pertaining to each local government partner's different transit needs and expectations. This includes discussions on service expansions, infrastructure, funding and governance and is documented in annual and three-year reporting processes.
- 86 per cent of all communities have had a service review over the last five years.
- Initiated over 30 engagement processes in support of transit planning processes, resulting in engagement with over 5,500 people across the province.
- Continued participation in development of community driven Official Community Plans and Master Transportation Plans in support of increasing transit mode share.

Performance Measure(s)		2016/17 Actuals	2017/18 Actuals	2018/19 Target	2018/19 Actuals	2019/20 Target	2020/21 Target
4.2	Partner satisfaction ^{1, 2, 3}	4.31	4.31	4.15	4.08	4.20	4.20

¹ **Data Source:** Annual partner survey, conducted by a third party research organization

² Partnership satisfaction is determined by the average rating of local government transit partner respondents when asked to rate their customer service received from BC Transit from one ("very poor") to five ("excellent").

³ Target values correspond to the [2019/20-2021/22 Service Plan](#) as the values were adjusted

Discussion

Partner satisfaction, a measure of local government partners' perception of BC Transit's customer service, did not meet the target identified in the *2018/19 – 2020/21 Service Plan*. Partner satisfaction is determined by the average rating of local government partner respondents when asked to rate their customer service received from BC Transit from one ("very poor") to five ("excellent"). While the 2018/19 result did not meet the target, the result still remained relatively high which suggests that BC Transit's efforts to work with its local government partners to implement service expansions and enhancements over the reporting period continued to meet partners' expectations.

Financial Report

Discussion of Results

The following is management's discussion and analysis of the consolidated financial position and results of operations for BC Transit as of March 31, 2019. This management discussion and analysis should be read in conjunction with BC Transit's audited consolidated financial statements and related notes for the year ended March 31, 2019 included within this 2018/2019 Annual Service Plan Report.

Highlights

Total revenues recognized for the year ending March 31, 2019 were \$331.8 million, an increase of \$24.4 million from fiscal 2017/18 and \$10.7 million lower than budget. The increase in operations revenue from fiscal 2017/18 can be attributed to increased ridership from service expansions, fare price increases, an increase in ticket and prepaid product sales, and increased UPASS program enrollments. The increase in government transfer revenue is a result of service expansions and increased operating expenses.

Total operating expenses (excluding amortization and interest) for the year ending March 31, 2019 were \$258.5 million, an increase of \$15.9 million over 2017/18. This can be attributed to service expansions, increased price of fuel, inflationary labour increases and inflation on general operating expenses. Total operating expenses (excluding amortization and interest) were \$16.2 million lower than budget. This can be attributed to lower than budgeted fuel prices, lower labour and benefit costs, and the delayed implementations of the Victoria Bus Lanes project, the Enterprise Resource Planning project and Sea to Sky regional transit service. In addition, \$4.4 million of reduced fleet maintenance expenses was realized in 2018/19 due to the implementation of a new Enterprise Resource Planning (“ERP”) system and related processes associated with the new Provincial distribution centre.

Amortization and interest expense for the year ending March 31, 2019, totaled \$70.2 million, an increase of \$5.3 million from fiscal 2017/18 and \$2.3 million higher than budget. The increase can be attributed to an increase in amortization expense resulting from the \$85.5 million of tangible capital assets placed in service during the year. Amortization was higher than budget due to revised useful life estimates on the 2008 fleet and the timing of capitalization of assets placed in service.

Contributions received for the purchase of land for the year ending March 31, 2019 totaled \$2.9 million. This revenue represents provincial and local government funding for properties acquired. The acquired properties will be used to build future transit facilities and meet increased demands for transit services.

Resource Summary						
<i>Figures in thousands</i>		2017/18	2018/19			
As at March 31, 2019		Actual	Actual	Budget	Variance Year over Year	Variance to Budget
Revenue		(\$)	(\$)	(\$)	(\$)	(\$)
	Operations	76,970	80,759	77,472	3,789	3,287
	Government transfers					
	Provincial	108,978	114,888	114,463	5,910	425
	Local government*	86,863	97,742	114,989	10,879	(17,247)
	Deferred capital contributions	30,414	34,421	31,571	4,007	2,850
	Investment and other income	4,206	3,987	4,033	(219)	(46)
	Total Revenues	307,431	331,797	342,528	24,366	(10,731)
Expenses						
	Operations					
	Operations (excl. fuel)	139,734	151,221	153,631	(11,487)	2,410
	Fuel	22,609	25,980	30,632	(3,371)	4,652
	Amortization and interest	60,061	65,345	62,735	(5,284)	(2,610)
	Total operations	222,404	242,546	246,998	(20,142)	4,452
	Maintenance					
	Fleet	44,549	42,582	49,929	1,967	7,347
	Facilities	9,135	9,534	10,614	(399)	1,080
	Amortization and interest	3,709	3,583	3,914	126	331
	Total maintenance	57,393	55,699	64,457	1,694	8,758
	Administration	26,581	29,193	29,909	(2,612)	716
	Amortization and interest	1,100	1,226	1,164	(126)	(62)
	Total administration	27,681	30,419	31,073	(2,738)	654
	Total Expenses	307,478	328,664	342,528	(21,186)	13,864
	Annual Operating Surplus (Deficit)	(47)	3,133	-	3,180	3,133
	Non-Operating Items:					
	Disposals, gain on investments & other	109	(59)	-	(168)	(59)
	Contributions for land purchase	5,067	2,942	-	(2,125)	2,942
	Total Non-Operating Items	5,176	2,883	-	(2,293)	2,883
	Annual surplus (deficit)	5,129	6,016	-	887	6,016
	Capital expenditures	114,865	85,447	157,826	29,418	72,379
	Total Liabilities	533,585	574,755	660,575	(41,170)	85,820
	Accumulated Surplus	19,085	26,309	21,280	7,224	5,029

* Includes Provincial Health Authority and fuel tax funding

Variance and Trend Analysis

Passenger Trips and Service Hour

Changes in passenger trips are strongly correlated with changes in service hours but are also impacted by other factors including service frequency and reliability, fare changes, investments in public transit (transit exchanges, park & rides and technology) and general economic conditions such as employment, demographics, economic development, fuel prices and population changes. The relationship between passenger trips and service hours is illustrated in the table below:

SUMMARY	2015/16	2016/17	2017/18	2018/19
<i>Figures in thousands</i>	Actual	Actual	Actual	Actual
Service hours (000s)	2,281	2,297	2,334	2,425
% increase		0.7%	1.6%	3.9%
Passenger trips (000s)	51,716	52,338	54,114	57,374
% increase		1.2%	3.4%	6.0%

Passenger trip growth across the province was higher than service hour growth with an overall year-over-year increase of 6.0 per cent. The Victoria Regional Transit System (VRTS) conventional passenger trips increased year-over-year by 3.4 per cent and Regional Transit Systems' (RTS) conventional passenger trips increased year over year by 8.9 per cent. Total custom/paratransit system passenger trips increased year over year by 2.5 per cent.

Total service hours delivered increased year-over-year by 91,000 hours¹ or 3.9 per cent reflecting annualized 2017/18 service expansions and implementation of 2018/19 service expansions. In 2018/19, 58,000 annual service hours were implemented as part of 23 service expansions in 17 different transit systems.

Total Revenue

Transit service is primarily funded through two funding parties: the Provincial and Local Governments. Per capita Provincial operating transfers are the highest in Canada and are based on contractual cost share formulas for both operating and capital expenditures.

Operations Revenue

Operations revenue (passenger and advertising, including BC Bus Pass) for the year ending March 31, 2019 was \$80.8 million, an increase of \$3.8 million over 2017/18 and \$3.3 million higher than budget. The increase can be attributed to the significantly higher pass sales in Regional Transit conventional systems, employer pass sales in Victoria, BC Bus Pass revenue throughout BC Transit, and unbudgeted passenger revenue from BC Bus North.

¹ Service expansions implemented part way through the fiscal year result in part-year hours, versus "annualized" hours which represent the full number of service hours required for a full twelve months.

Provincial

The Provincial operating transfers for the year ending March 31, 2019 were \$114.9 million. The increase in Provincial government transfers of \$5.9 million from fiscal 2017/18 is attributable to funding for service expansions and approved labour increases in line with the provincial mandate.

Local Government

Local government transfers were \$97.7 million, an increase of \$10.9 million from fiscal 2017/18 and \$17.2 million below budget. Local government transfers were lower than budget as a result of higher operations revenue by \$3.3 million and lower than budgeted operating expenses of \$16.2 million which were offset by higher than budgeted amortization and interest.

In 2015/16, BC Transit Regulation B.C. Reg.30/91 was amended, establishing the legislated authority for BC Transit to carry an operating reserve. As part of the regulatory change, local government contributions were billed based on budgeted operating expenses. Any unspent local government contributions are held within the operating reserve and treated as deferred revenue. Net additions to the operating reserves for the year ending March 31, 2019 were \$1.2 million. Operating reserves will be expended in future years to offset inflationary increases for current service levels in the respective transit system for which they were contributed.

Deferred Capital Contributions

The amortization of deferred capital contribution revenues was \$34.4 million for the year ending March 31, 2019, an increase of \$4.0 million over fiscal 2017/18 and \$2.9 million higher than budget. The increase over prior year can be attributed to additional capitalized assets during the year. Revenues were higher than budget due to timing of completion of capital projects and the accelerated amortization of the 2008 fleet.

Investment and Other Income

Investment and other income for the year ending March 31, 2019 was \$4.0 million, a decrease of \$0.2 million over fiscal 2017/18 and \$0.05 million under budget. This balance consists of interest earned on sinking funds, rental income on strategic properties held for long-term transit development being leased in the short-term, and other miscellaneous income. The decrease can be attributed to lower earnings on investments.

Total Expenses

Total expenses are defined as the sum of all costs associated with the operation, maintenance and administration of transit service, including amortization and interest on debt for capital expenditures. Total expenses for the year ending March 31, 2019 were \$328.7 million, an increase of \$21.2 million over fiscal 2017/18 and \$13.9 million lower than budget.

The total expense increase over fiscal 2017/18 can be attributed to service hour expansions, higher fuel costs, inflationary increases in wages and benefits, higher insurance costs, higher software costs, and the Victoria Bus Lanes expenses.

The total expenses were lower than budget due to fuel price lower than budget, timing of expenses for the Victoria Bus Lanes project and CREST radio upgrades, delayed implementation of Sea to Sky Highway service, and lower labour and professional fee expenses.

Operations Expense

<i>Figures in thousands</i>	2017/18	2018/19	2018/19	Variance		Variance	
	Actual	Actual	Budget	Year over Year		to Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Operations							
Operations (<i>excl fuel</i>)	139,734	151,221	153,631	(11,487)	(8.2)	2,410	1.6
Fuel	22,609	25,980	30,632	(3,371)	(14.9)	4,652	15.2
Total Operations	162,343	177,201	184,263	(14,858)	(9.2)	7,062	3.8

Operations Expense (excluding fuel)

Operations expenses (excluding fuel) consist of the costs required to operate and manage transit systems including operator wages and benefits, third party contracted operations and other operational costs. Operations expenses (excluding fuel) for the year ending March 31, 2019 were \$151.2 million, \$11.5 million over fiscal 2017/18 and \$2.4 million lower than budget. Operations expenses increased over fiscal 2017/18 due to higher service hours, labour increases in line with PSEC guidelines and collective agreements, higher insurance costs and costs related to the Victoria Transit Priority project. Expenses were lower than budget due to lower than budgeted labour and insurance costs, and timing of service expansions and upgrades for CREST radio system. These were offset by operations expenses for BC Bus North service that were not budgeted because service was approved after February 2018 budget.

Fuel Expense

Fuel expense for the year ending March 31, 2019 was \$26.0 million, an increase of \$3.4 million over fiscal 2017/18 and \$4.7 million lower than budget. The increase from fiscal 2017/18 is attributable to higher market rates for diesel fuel, offset by the addition of 25 compressed natural gas buses in Whistler. For 2018/19, the average diesel fuel price was \$1.17 per litre, compared to a budget of \$1.28 per litre and \$1.02 per litre in fiscal 2017/18.

Fuel	2017/18	2018/19	2018/19	Variance		Variance	
	Actual	Actual	Budget	Year over Year		to Budget	
					(%)		(%)
Diesel volume (000s litres)	21,342	21,497	22,957	(155)	(0.7)	1,460	6.4
Diesel price per litre (\$)	1.02	1.16	1.28	(0.14)	(13.6)	0.12	9.4
Total Diesel cost (\$000s)	21,785	24,939	29,385	(3,154)	(14.5)	4,446	15.1
CNG volume (000s DLE*)	3,527	4,534	4,454	(1,007)	(28.5)	(80)	(1.8)
CNG price per litre (\$)	0.23	0.23	0.28	0.00	1.7	0.05	18.0
Total CNG cost (\$000s)	824	1,041	1,247	(217)	(26.4)	206	16.5
Total Fuel Cost (\$000s)	22,609	25,980	30,632	(3,371)	(14.9)	4,652	15.2
*DLE - Diesel litre equivalents							

Management obtains favourable fuel pricing by aggregating BC Transit's provincial fuel volume purchases under a successful fuel procurement process resulting in a volume discount from posted rack rates. Management continues to explore other strategies to manage the cost pressure and volatility associated with fuel prices including strategic procurement partnerships and alternative fueling technologies.

Maintenance Expense

<i>Figures in thousands</i>	2017/18	2018/19	2018/19	Variance		Variance	
	Actual	Actual	Budget	Year over Year		to Budget	
					(%)		(%)
Maintenance	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Fleet	44,549	42,582	49,929	1,967	4.4	7,347	14.7
Facilities	9,135	9,534	10,614	(399)	(4.4)	1,080	10.2
Total Maintenance	53,684	52,116	60,543	1,568	2.9	8,427	13.9

Fleet Maintenance

Fleet maintenance expenses for the year ending March 31, 2019 were \$42.6 million, a decrease of \$2.0 million over fiscal 2017/18 and \$7.3 million lower than budget. The decrease over fiscal 2017/18 is attributed primarily to the introduction of over 200 new buses in the last 18 months, many replacing older buses, resulting in less maintenance and repairs being performed. In addition, the introduction of BC Transit's new ERP system and related processes enhanced control of regional inventory assets. This required a one-time accounting adjustment to regional inventory balances and reduced fleet maintenance expense recognition by \$4.4 million in 2018/19. BC Transit was able to enhance parts service around the Province in order to reduce repair times.

Fleet maintenance expenditures are a function of expansion, inflationary costs, fleet age and fleet diversity. Maintenance costs are incurred for repairs, major component overhauls and mid-life refits.

These costs are largely a function of the age of the fleet (increasing costs of parts, labour and outside service providers) and the technological complexity of newer vehicles including increasingly stringent environmental standards. Maintenance costs are also impacted by exchange rates, higher shipping costs, diminishing options in the supply chain network and base commodity costs. Most parts originate from American or European suppliers. BC Transit's fleet replacement and expansion capital plan will in part mitigate some of these cost pressures in future years.

As at March 31, 2019, BC Transit had 1,079 buses in service (not including contingency vehicles). The fleet is comprised of 68 high capacity buses, 494 heavy duty buses, 174 medium duty buses and 343 light duty buses.

2018/19			
	Total	Victoria Region	Other Regions
High Capacity	68	68	0
Heavy Duty	494	182	312
Medium Duty	174	30	144
Light Duty	343	71	272
Total	1079	351	728

At the time of this report:

- High capacity buses have an amortized life of 15 to 20 years;
- Heavy duty buses have an amortized life of 13 to 20 years;
- Medium duty buses have an amortized life of 10 or 17 years; and,
- Light duty buses have amortized life of 5 years.

Heavy duty buses purchased in 2009 or later are amortized over a 13 year period and medium duty buses purchased after 2014 are amortized over a 10 year period. This useful life is consistent with the industry standard.

The fleet replacement plan indicates that 50 per cent of the fleet will require replacement over the next five years. Maintenance costs for older fleets increase significantly as they are near the end of their useful lives. However, life cycle analysis can indicate it is still economical to maintain these vehicles rather than replace them outright and incur write-offs and accelerated debt service charges. Environmental performance and passenger comfort requirements have also created a more diverse transit fleet, contributing to higher parts costs and resource demands.

To best manage and maintain the fleet, management has developed a Long Range Maintenance Plan (LRMP). The LRMP includes analysis of the existing and planned future fleet, maintenance requirements, capacity, labour constraints and funding requirements. Future fleet maintenance will be conducted under the LRMP to ensure the most efficient and effective use of assets. Asset componentization continues to be management's approach to managing vehicle assets as component-based capitalization and amortization more accurately reflect the useful life of the LRMP expenditures.

Facilities Maintenance

Facilities maintenance expenses for the year ending March 31, 2019 were \$9.5 million, an increase of \$0.4 million over fiscal 2017/18 and \$1.1 million lower than budget. The increase from fiscal 2017/18 can be attributed to inflationary increases and CNG facility expenses in Whistler. The favourable variance from budget is primarily attributable to vacancies, lower than budgeted expenses, leases and property taxes, and lower environmental assessment expenses.

Many of BC Transit's operations and maintenance facilities are near the end of their useful lives, and require increasing repairs and modifications to meet the physical requirements of current and expanding service levels. In addition, a number of facilities are operating at or beyond their designed capacity and, as such, limit the expansion of services. Growth and expansion of the fleet will continue to put additional pressure on existing facilities.

Strategic planning initiatives are underway with a number of local partners in order to respond to capacity issues identified in the Transit Future Plans and draft a Facilities Master Plan. These plans identify bus parking, maintenance and storage requirements, provide options for maximizing the capacity and efficiency of existing facilities and identify recommendations for the construction of future infrastructure requirements.

Replacement or expansion of an operations and maintenance facility is often a challenge for local government partners who are balancing competing asset investment requirements. Additional funding opportunities were made available from the Federal Government in 2016 through the Public Transit Infrastructure Fund ("PTIF") and then again in 2018 through the Investing in Canada Infrastructure Program ("ICIP"). Several new operations and maintenance facilities were identified for funding through these programs and the planning, consultation and development of new operations and maintenance facilities is underway in each respective community. These new facilities will include infrastructure to support future CNG bus deployment wherever feasible.

Administration Expense

<i>Figures in thousands</i>	2017/18	2018/19	2018/19	Variance		Variance	
	Actual	Actual	Budget	Year over Year		to Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Administration	26,581	29,193	29,909	(2,612)	(9.8)	716	2.4

Total administrative expenses for the year ending March 31, 2019 were \$29.2 million, an increase of \$2.6 million over fiscal 2017/18 and \$0.7 million lower than budget. The increase from fiscal 2017/18 can be attributed to inflationary salary increases, filled vacancies, marketing expenses related to service expansion implementation, higher software costs and expenses related to the implementation of the new ERP system.

Administrative costs include supporting shared services for all transit systems. BC Transit provides a wide range of management services that benefit all transit systems throughout the province. The shared services model:

- Pools expertise and capacity in areas such as planning, financial management and reporting;
- Provides an opportunity to lower costs through bulk purchases of supplies and assets, such as fuel, inventory and buses;
- Provides efficiencies in contract management for third party contract management companies; and
- Manages the distribution of provincial and local government funding.

Administrative costs face on-going pressures, many of which include increasing requirements for technology support and services. Other cost drivers are regulatory, including compliance with increasing environmental, procurement, accounting and legal standards. BC Transit's cost efficiency benchmarks continue to rank better than comparable sized transit systems, primarily due to the shared services business model.

BC Transit will continue to leverage the strength of the shared services model and achieve greater operational, capital and financial efficiencies as it continues to experience significant demand for both public transit and shared services expertise.

Debt Service

<i>Figures in thousands</i>	2017/18	2018/19	2018/19	Variance		Variance	
	Actual	Actual	Budget	Year over Year		to Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Debt Service							
Interest	9,106	9,107	10,640	(1)	(0.0)	1,533	14.4
Amortization	55,764	61,047	57,173	(5,283)	(9.5)	(3,874)	(6.8)
Total Debt Service	64,870	70,154	67,813	(5,284)	(8.1)	(2,341)	(3.5)

Amortization and interest expense for the year ending March 31, 2019 was \$70.2 million, an increase of \$5.3 million from fiscal 2017/18 and \$2.3 million higher than budget. Amortization expense has increased in fiscal 2018/19 as a result of the \$85.5 million of tangible capital assets placed into service during the year. Amortization expense was higher than budget due to timing of completion of capital projects and the accelerated amortization of the 2008 fleet. Interest expense was \$1.5 million lower than budget as a result of management's strategy to utilize the company's cash position to fund tangible capital asset additions and defer the immediate need for fiscal agency loans.

Non-Operating Items

Contributions for the purchase of land were received during the year totaling \$2.9 million. This revenue represents provincial and municipal funding for land acquired. Transit facilities will be constructed on the acquired properties to assist with meeting the increased demand for transit services in those communities.

Capital Expenditures

The capital program and its related financing is a major driver on the Consolidated Statement of Financial Position. 2018/19 capital expenditures focused primarily on the acquisition of buses and the ongoing refurbishment and replacement of major components on existing buses. Significant capital expenditures were also incurred towards the completion of enhanced operations and maintenance facilities in Victoria, and initial development costs for new facilities in Campbell River, the Central Fraser Valley and the Cowichan Valley, as well as the implementation of Smart Bus technology for NextRide, which provides customers with access to real time information on the location of buses.

Under traditional funding arrangements, the Province provides deferred capital contributions based on cost sharing percentage identified in the annual capital contribution agreement and the local government's share is primarily recovered by way of lease fees over the useful life of the related asset. The Minister of Finance, as BC Transit's fiscal agent, arranges financing for capital purchases at BC Transit's request.

In 2016/17, additional funding opportunities were made available through the Public Transit Infrastructure Fund (PTIF) contribution agreement with the Province for projects eligible for Federal funding. The funding from this agreement is being used toward the acquisition and construction of transit infrastructure, buses and technologies. Spending on these projects is forecast to complete in fiscal 2020/21.

In 2018/19, additional funding opportunities were also made available through the Investing in Canada Infrastructure Program (ICIP) contribution agreement with Province for projects eligible for Federal funding. Funding under this program is planned for use toward the acquisition and construction of transit infrastructure, buses and technologies, and has been made available through to fiscal 2027/28. Planning, consultation and development of the first round of approved projects initiated in fiscal 2018/19.

The following illustrates the categories of capital project expenditures in fiscal 2018/19 (in thousands of dollars):

<i>Figures in thousands</i>	
2018/19	
	(\$)
Vehicle Projects	53,714
Exchanges, shelters and other transit infrastructure	1,126
Other (IT, equipment, technology)	4,313
Buildings	25,507
Land	787
Total Capital Expenditures	85,447

Liquidity and Capital Resources

Cash Flows and Liquidity

The net change in cash and cash equivalents in the year was an increase of \$1.9 million (2017/18 – decrease of \$30.4 million). Net cash outflow for tangible capital assets was \$23.3 million (2017/18 – \$43.9 million) being the difference between cash used to acquire tangible capital assets and the deferred capital contributions received.

Throughout the year ending March 31, 2019, BC Transit utilized its cash position to fund the net cash outflow for tangible capital asset additions. This deferred the requirement for fiscal agency loans.

BC Transit has adequate financial resources for 2019/20 between working capital, operating and capital grants, and forecasted new fiscal agency loans in 2019/20 to proceed with its service plan. Management is expecting to acquire new fiscal agency loans in 2019/20 to fund the capital plan.

Debt

Total debt outstanding as at March 31, 2019 was \$168.9 million (March 31, 2018 - \$180.0 million). The decrease is due to an \$11.2 million repayment of a scheduled loan. Under the *British Columbia Transit Act*, BC Transit is subject to a \$500.0 million borrowing limit. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. Debt has a weighted average interest rate of 5.06 per cent, maturing at various dates to 2040 and amortized from nine to thirty years.

Debt Sinking Funds

Investments in sinking funds, including interest earned, will be used to repay the related debt at maturity. Sinking fund balances at March 31, 2019 were \$102.8 million (March 31, 2018 - \$101.8 million). The increase in debt sinking funds relates to sinking fund installments of \$6.2 million paid into the fund, mark-to-market gains of \$1.2 million along with interest income earned of \$3.6 million. These increases were partially offset by a redemption of \$10.2 million during the period to repay an \$11.2 million loan. The overall portfolio of debt sinking funds remains in an accumulated gain position of \$7.2 million.

The British Columbia Investment Management Corporation (bcIMC) provides BC Transit with investment management services, which consist of mandatory sinking funds administered by the debt management branch (DMB). These installments are invested in financial assets which have a duration similar to the underlying debt. Due to the longer term nature of the Sinking Fund investments they are exposed to unrealized fair value movements caused by market conditions. As the Sinking Fund investments are held to maturity, it is anticipated that any unrealized gain or loss over the term of the debt will be substantially reversed by the maturity date.

Working Capital Changes

The net increase in working capital for the year ending March 31, 2019 was \$2.9 million (2017/18 – decrease of \$7.4 million). The significant changes in working capital for the year ending March 31, 2019 can be attributed to an increase in accounts receivable of \$15.9 million and an increase to inventories of parts of \$5.2 million. The increases were partially offset by an increase in deferred revenue and contributions of \$12.2 million and an increase to accounts payable of \$12.8

million. Accounts receivable has increased in fiscal 2018/19 due to contributions receivable from the Provincial and Federal governments as part of the PTIF and ICIP capital programs. The increase in deferred revenue and contributions is attributable to the growth of deferred revenue accounts relating to local government deferred capital funding and growth of the municipal operating reserve as a result of contributions in excess of actual operating expenditures due to the lower than budgeted cost of fuel, maintenance and salaries. The increase to accounts payable is related to the timing of payments and the increase in capital holdbacks is due to an increase in capital projects in progress.

Accumulated Surplus

Accumulated surplus as at March 31, 2019 was \$26.3 million, an increase of \$7.2 million from March 31, 2018. The increase in the accumulated surplus primarily relates to the annual surplus of \$6.0 million resulting from \$3.1 million of contributions received but not utilized during the year along with capital funding for land purchases totaling \$2.9 million. The increase was also a result of \$1.2 million of unrealized mark-to-market gains on debt sinking funds due to changes in market interest rates.

Risks and Uncertainties

BC Transit is exposed to risks and budgeting uncertainties relating to commodity prices (primarily fuel), interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, use of alternative fueling technologies, entering into physical fixed price agreements to fix all or a portion of fuel prices with a supplier, and/or the potential to enter into financial commodity derivative contracts.

BC Transit is exposed to interest rate risk to the extent that there are increases in interest rates at the time funding is required. Management monitors this exposure and charges an interest rate on leased assets to mitigate this risk.

Foreign exchange risk exists on purchases of various capital assets and parts from suppliers requiring payment in either US dollars or pounds sterling. Management monitors this risk and mitigates in part by negotiating contracts with payments in Canadian dollars wherever possible.

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents and debt sinking funds where they are invested in Canadian Money Market and Bond Funds. It is management's opinion that BC Transit is not exposed to any significant credit risk due to the credit worthiness of the investments.

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and a rigorous budgeting process that aligns with available funding.

Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

Year ended March 31, 2019

MANAGEMENT REPORT

Year ended March 31, 2019

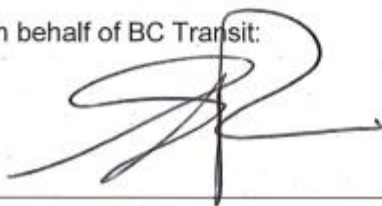
The consolidated financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as required by section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia except in regard to the accounting for government transfers which is based on the Restricted Contributions Regulation 198/2011.

These consolidated financial statements include some amounts based on management's best estimates and careful judgment. A precise determination of assets and liabilities is dependent upon future events and, consequently, the preparation of periodic consolidated financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available as at May 30, 2019.

BC Transit's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the Code of Conduct applicable to all BC Transit officers and employees.

The consolidated financial statements have been examined by the Office of the Auditor General of British Columbia, BC Transit's independent external auditors. Their responsibility is to express their opinion whether the consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of Canadian public sector accounting standards. The Board of Directors meets regularly with management and the external auditors to satisfy itself that BC Transit's system of internal control is adequate and to ensure that responsibilities for financial reporting are being met.

On behalf of BC Transit:



Erinn Pinkerton
President and Chief Executive Officer
May 30, 2019



Brian Anderson, CPA, CMA
Vice President, Operations
May 30, 2019



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of British Columbia Transit, and
To the Minister of Transportation and Infrastructure, Province of British Columbia*

Qualified Opinion

I have audited the accompanying consolidated financial statements of British Columbia Transit (BC Transit) which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the consolidated financial statements present fairly, in all material respects, the financial position of BC Transit as at March 31, 2019, and the results of its operations, change in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 2(a) to the consolidated financial statements, BC Transit's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. BC Transit was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, BC Transit's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In my opinion, certain contributions of BC Transit do not meet the definition of a liability, and as such, BC Transit's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. Had BC Transit made an adjustment for this departure in the current year, the liability for deferred revenue and contributions as at March 31, 2019 would have been

lower by \$42 million, the liability for deferred capital contributions would have been lower by \$262 million, revenue, annual surplus and accumulated surplus would have been higher by \$304 million and net debt would have been lower by \$304 million.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of BC Transit in accordance with the ethical requirements that are relevant to my audit of BC Transit's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Other Accompanying Information

Management is responsible for the other information accompanying the financial statements. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information that I have obtained prior to the date of my auditor's report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

Prior to the date of my auditor's report, I obtained the draft 2018/19 Annual Service Plan Report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement therein, I am required to report that fact in this auditor's report.

As described in the Basis for Qualified Opinion section above, BC Transit has inappropriately deferred certain of its revenues from government transfers. I have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the annual report affected by this departure from PSAS.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the

consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing BC Transit's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when BC Transit will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether BC Transit's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BC Transit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BC Transit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my

BRITISH COLUMBIA TRANSIT
Independent Auditor's Report

auditor's report. However, future events or conditions may cause BC Transit to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Stuart Newton, CPA, CA
Deputy Auditor General

Victoria, British Columbia, Canada
June 6, 2019

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(In thousands of dollars)

March 31, 2019, with comparative figures for March 31, 2018

	March 31, 2019	March 31, 2018
FINANCIAL ASSETS	\$	\$
Cash and cash equivalents (note 3)	11,167	9,264
Accounts receivable (note 4)	83,989	68,086
Debt sinking funds (note 7)	102,765	101,833
	197,921	179,183
LIABILITIES		
Accounts payable and accrued liabilities	36,394	23,604
Due to Province	-	332
Deferred revenue and contributions (note 5)	84,737	72,567
Deferred capital contributions (note 6)	262,662	236,016
Debt (note 7)	168,879	180,044
Employee future benefits (note 8)	22,083	21,022
	574,755	533,585
NET DEBT	(376,834)	(354,402)
NON FINANCIAL ASSETS		
Tangible capital assets (note 9)	381,741	357,622
Inventories (note 24)	14,210	9,008
Prepaid expenses	3,150	2,431
Prepaid lease payments	4,042	4,426
	403,143	373,487
ACCUMULATED SURPLUS		
Accumulated operating surplus	19,064	13,048
Accumulated remeasurement gains	7,245	6,037
	26,309	19,085

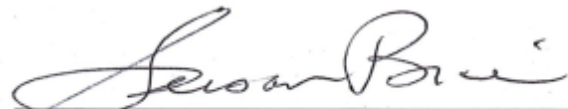
Commitments, contingent liabilities, contractual rights and contingent assets (notes 11, 12, 13 and 14).

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:



Catherine Holt, Chair
May 30, 2019



Susan Brice, Director
May 30, 2019

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(In thousands of dollars)

Year ended March 31, 2019, with comparative figures for March 31, 2018

	Budget 2019 (note 17)	March 31, 2019	March 31, 2018
REVENUE	\$	\$	\$
Operations	77,472	80,759	76,970
Government transfers:			
Provincial (note 15)	114,463	114,888	108,978
Local government (note 15)	114,989	97,742	86,863
Deferred capital contributions (note 6)	31,571	34,421	30,414
Investment and other income	4,033	3,987	4,206
	342,528	331,797	307,431
EXPENSES (note 16)			
Operations	246,998	242,546	222,404
Maintenance (note 24)	64,457	55,699	57,393
Administration	31,073	30,419	27,681
	342,528	328,664	307,478
NET SURPLUS (deficit) from operations	-	3,133	(47)
OTHER			
Disposal of capital assets			
Loss on disposal of capital assets	-	(281)	(117)
Other capital recoveries	-	233	212
Contributions for land purchase (note 15)	-	2,942	5,067
Gain on investments	-	18	14
Other expense	-	(29)	-
	-	2,883	5,176
ANNUAL SURPLUS	-	6,016	5,129
Accumulated operating surplus, beginning of year	13,048	13,048	7,919
Accumulated operating surplus, end of year	13,048	19,064	13,048

The accompanying notes are an integral part of these consolidated financial statements.

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Change in Net Debt
(In thousands of dollars)

Year ended March 31, 2019, with comparative figures for March 31, 2018

	Budget 2019 (note 17)	March 31, 2019	March 31, 2018
	\$	\$	\$
Surplus for the year	-	6,016	5,129
Acquisition of tangible capital assets	(157,826)	(85,447)	(114,865)
Amortization of tangible capital assets	57,173	61,047	55,764
Disposal of tangible capital assets	-	281	227
	(100,653)	(18,103)	(53,745)
Acquisition of inventories of parts	-	(32,852)	(27,660)
Consumption of inventories of parts	-	27,650	27,987
Acquisition of prepaid expenses	-	(10,291)	(12,046)
Consumption of prepaid expenses	-	9,572	11,961
Consumption of prepaid leases	-	384	381
	-	(5,537)	623
Gain (loss) on portfolio investment	-	1,208	(2,290)
		1,208	(2,290)
Increase in net debt	(100,653)	(22,432)	(55,412)
Net debt, beginning of year	(354,402)	(354,402)	(298,990)
Net debt, end of year	(455,055)	(376,834)	(354,402)

The accompanying notes are an integral part of these consolidated financial statements.

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Remeasurement Gains and Losses
(In thousands of dollars)

March 31, 2019, with comparative figures for March 31, 2018

	March 31, 2019	March 31, 2018
	\$	\$
Accumulated remeasurement gains, beginning of year	6,037	8,327
Unrealized gain (loss) on investments	1,190	(2,304)
Realized gain on investments, reclassified to Consolidated Statement of Operations	18	14
Accumulated remeasurement gains, end of year	7,245	6,037

The accompanying notes are an integral part of these consolidated financial statements.

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows
(In thousands of dollars)

March 31, 2019, with comparative figures for March 31, 2018

	March 31, 2019	March 31, 2018
	\$	\$
Cash provided by (used for):		
Operating transactions		
Annual surplus	6,016	5,129
Non-cash charges to operations (note 18)	27,093	25,785
Changes in non-cash operating working capital (note 18)	2,866	(7,434)
Cash provided by operating transactions	35,975	23,480
Capital transactions		
Proceeds on disposal of tangible capital assets	118	173
Cash used to acquire tangible capital assets	(84,448)	(113,662)
Cash applied to capital transactions	(84,330)	(113,489)
Investing transactions		
Decrease (increase) in debt sinking funds and investments net of unrealized gain	276	(10,121)
Cash provided by (applied to) investing transactions	276	(10,121)
Financing transactions		
Debt repaid	(11,200)	-
Deferred capital contributions received	61,182	69,731
	49,982	69,731
Increase (decrease) in cash and cash equivalents	1,903	(30,399)
Cash and cash equivalents, beginning of year	9,264	39,663
Cash and cash equivalents, end of year	11,167	9,264
Supplemental cash flow information:		
Cash paid for interest	9,106	9,106
Cash received from interest	387	192

The accompanying notes are an integral part of these consolidated financial statements.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

1. Nature of Operations

British Columbia Transit ("BC Transit") is a Crown corporation, established under the *British Columbia Transit Act*, as amended in 1998, to operate the urban transit systems in the Province of British Columbia (the "Province") outside of the Metro Vancouver Regional service area. BC Transit is included in the government reporting entity of the Province of British Columbia and reports to the Legislative Assembly through the Ministry of Transportation and Infrastructure. BC Transit is exempt from income taxes under the *Income Tax Act*.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. These funds held in trust are excluded from the consolidated financial statements and are summarized in note 10.

2. Summary of Significant Accounting Policies**(a) Basis of Accounting**

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as required by section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board.

Regulation 198/2011 requires that restricted contributions be recognized as revenue in the period the restriction is met, and that restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset, be recognized as revenue at the same rate the amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for the deferral of revenue recognition to future years, recognized for non-capital government transfers in the period the restriction the transfer is subject to is met and for capital transfers in income systematically over the useful life of the asset, rather than in the year the transfer was made. This results in differences in deferred contributions, deferred capital contributions and accumulated operating surplus on the consolidated statement of financial position, and the government transfers revenue and annual surplus on the statement of operations.

(b) Basis of Consolidation**Consolidated Entities**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of organizations which are controlled by BC Transit. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities eliminated on consolidation.

The following organizations are controlled by BC Transit and are fully consolidated in these financial statements:

TBC Vehicle Management Inc.	0922667 B.C. Ltd.
TBC Operations Inc.	0925406 B.C. Ltd.
TBC Properties Inc.	0928624 B.C. Ltd.
0915866 B.C. Ltd.	

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

2. Summary of Significant Accounting Policies (continued)

(c) *Deferred Contributions and Revenue Recognition*

Government transfers received relate to contributions from federal, provincial and local governments to fund capital projects, operating costs, sinking fund and interest payments.

Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and are recognized as revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized as revenue in the year in which the stipulation or restriction on the contribution has been met.

See note 21 for the impact of this regulation on these consolidated financial statements.

Transit user charges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and when services have been provided to the users.

(d) *Investment Income*

Investment income is reported as revenue in the period earned. When required by the funding party or related Act, investment income earned on deferred contributions is added to the investment and forms part of the deferred contributions balance.

(e) *Financial Instruments*

BC Transit has elected to measure specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified for the duration of the period they are held. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2** Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3** Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available, and are most suitable and appropriate based on the type of financial instrument being valued, in order to establish what the transaction price would have been on the measurement date in an arm's-length transaction.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

2. Summary of Significant Accounting Policies (continued)

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a term to maturity of 90 days or less at acquisition, are held for the purpose of meeting short-term cash commitments rather than for investing, are reported at fair value and are measured using a Level 1 valuation.

(ii) Accounts receivable

Accounts receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(iii) Debt sinking funds

Investments in sinking funds consist of pooled investment portfolios and Canadian, Provincial government and Crown corporation bonds managed by the British Columbia Investment Management Corporation ("BCI"), a corporation established under the *Public Sector Pension Plans Act*. Sinking fund investments are recorded at fair value and measured using a Level 1 valuation. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments.

(iv) Debt and other financial liabilities

All debt and other financial liabilities are recorded using cost or amortized cost. Discounts and premiums arising on the issuance of debt are amortized over the term of the debt.

(f) Employee Future Benefits

- (i) BC Transit and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Multi-employer, jointly-trusted pension plans follow defined contribution pension plan accounting. Contributions are expensed as they become payable.
- (ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical, MSP), post-employment benefits (vacation, overtime) and continuation of long-term disability benefits. The future obligations under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

2. Summary of Significant Accounting Policies (continued)

salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for March 31, 2018.

(g) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

1. An environmental standard exists;
2. Contamination exceeds the environmental standard;
3. BC Transit:
 - a) is directly responsible; or
 - b) accepts responsibility; and
4. A reasonable estimate of the amount can be made.

As at March 31, 2019, BC Transit has not identified any contaminated sites that meet the criteria for recognition.

(h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, design, construction, development, improvement or betterment of the asset. The costs, less the residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land	Indefinite
Exchanges, shelters, and other transit infrastructure	3 – 40
Buildings	5 – 40
Vehicles – including major components	2 – 20
Other Equipment	4 – 20

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt with a corresponding entry made to deferred capital contributions. The contributed tangible capital assets are then amortized over their estimated useful lives.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

2. Summary of Significant Accounting Policies (continued)

(iii) Interest capitalization

Interest is capitalized whenever debt is issued to finance the construction of tangible capital assets. Interest is capitalized from the date of advance of funds until the assets are available for service.

(iv) Inventories

Inventories held for consumption are recorded at the lower of historical cost or replacement cost.

(v) Impairment of tangible capital assets

BC Transit monitors the recoverability of tangible capital assets. Whenever events or changes in circumstances indicate that the tangible capital asset no longer contributes to the ability to provide transit services or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to residual value.

(vi) Prepaid expenses and leases

Prepaid expenses and leases include prepaid insurance, parts credits, prepaid software and prepaid property leases. These are expensed over the period they are expected to benefit.

(vii) Intangibles

Intangible assets are not recognized in BC Transit's financial statements.

(i) Measurement Uncertainty

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Significant measurement uncertainty includes assumptions used in the determination of amortization periods, employee future benefits and estimating provisions for certain accrued liabilities. Actual results could differ from these estimates.

(j) New Accounting Pronouncements

Standards and interpretations issued that are relevant to the operations of BC Transit, but not yet effective include:

Asset Retirement Obligations (PS3280): This new section will require recognition of a liability related to future costs of legal obligations to be incurred upon the retirement of controlled tangible capital assets. This section applies to fiscal years beginning on or after April 1, 2021. Management is in the process of assessing the impact of this standard.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

3. Cash and Cash Equivalents

Major components of cash and cash equivalents are comprised of the following:

	2019	2018
	\$	\$
Cash	11,145	9,242
Cash equivalents	22	22
Cash and cash equivalents	11,167	9,264

4. Accounts Receivable

Accounts receivable are comprised of the following:

	2019	2018
	\$	\$
Provincial:		
Operating	11,156	11,261
Capital grants	21,670	9,242
	32,826	20,503
Federal capital grants	25,243	21,218
Local governments	15,531	19,664
Trade and other	10,389	6,701
	83,989	68,086

5. Deferred Revenue and Contributions

Operating contributions that have been received, but not yet earned are reflected as deferred service funding.

Deferred contributions fund sinking fund and interest payments. These are recovered from local government partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Differences are deferred to be recognized as a recovery in future periods.

Deferred revenue is restricted for a specific purpose and recognized as revenue in the year in which the stipulation or restriction on the contribution has been met.

The deferred revenue and contributions, reported on the consolidated statement of financial position, are comprised of the following:

	2019	2018
	\$	\$
Deferred service funding contributions	42,375	41,644
Deferred contributions	34,357	25,948
Deferred revenue	8,005	4,975
Total deferred revenue and contributions	84,737	72,567

BRITISH COLUMBIA TRANSITNotes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

5. Deferred Revenue and Contributions (continued)

Continuity of deferred service funding, contributions and revenue:

	2019	2018
Deferred service funding contributions:	\$	\$
Balance, beginning of year	41,644	32,493
Service funding contributions received	67,462	65,979
Service funding contributions applied	(66,731)	(56,828)
Balance, end of year	42,375	41,644
Deferred contributions:		
Balance, beginning of year	25,948	17,736
Contributions received	40,511	39,329
Contributions used	(32,102)	(31,117)
Balance, end of year	34,357	25,948
Deferred revenue:		
Balance, beginning of year	4,975	4,982
Amounts received	4,430	786
Amounts recognized as revenue	(1,400)	(793)
Balance, end of year	8,005	4,975
Balance, end of year	84,737	72,567

6. Deferred Capital Contributions

Deferred capital contributions include federal, provincial and municipal grants subject to amortization on the same basis as the related asset.

	2019	2018
	\$	\$
Balance, beginning of year	236,016	196,737
Contributions and other additions	61,182	69,731
Impairment and disposals of capital assets	(115)	(38)
Amortization	(34,421)	(30,414)
Balance, end of year	262,662	236,016

7. Debt

BC Transit's debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this indemnity. Under the *British Columbia Transit Act*, BC Transit is subject to a borrowing ceiling limit of \$500 million in total. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request.

The gross amount of debt and the amount of sinking fund assets available to retire the debt are as follows:

	2019	2018
	\$	\$
Debt has a weighted average rate of 5.06%, maturing at various dates to 2040, amortized from 9 to 30 years	168,879	180,044

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Year Ended March 31, 2019, with comparative figures for March 31, 2018

7. Debt (continued)

The total debt maturities for the next five years are as follows:

	\$
2020	1,828
2021	19,070
2022	15,972
2023	23,350
2024	500
Thereafter	108,159

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes \$18 (2018 - \$14) of realized gains on disposition of investments in sinking funds. Sinking fund investments are managed by the British Columbia Investment Management Corporation and have cost and market values as follows:

	2019		2018	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Provincial bonds	93,320	100,513	93,640	99,636
Money market funds	166	166	184	184
Corporate bonds	2,034	2,086	1,972	2,013
Total	95,520	102,765	95,796	101,833

Debt sinking fund installments in each of the next five years are as follows:

	\$
2020	4,631
2021	4,279
2022	3,971
2023	3,766
2024	3,456
Thereafter	17,761

In April 2017, BC Transit entered into an unsecured revolving credit facility with a Canadian financial institution totaling \$10 million. The credit facility may be terminated in whole or in part and shall be due on demand. Interest on the credit facility is based on the prime lending rate which is a variable per annum reference rate of interest for loans made by the Bank of Canada in Canadian dollars. Interest accrues on a day-to-day basis. At March 31, 2019, the facility was not in use.

In November 2002, BC Transit entered into a loan agreement pursuant to section 54(1) of the *Financial Administration Act* with the Minister of Finance and Corporate Relations to lend a maximum principal amount not to exceed \$90 million in Canadian currency. Terms and conditions of the loan state the Minister will use reasonable commercial efforts to comply with the borrowing requirements of BC Transit; however, the terms and conditions of the loan are within the sole discretion of the Minister. The maximum term on the loan is one year and can be another term as approved by the Minister and is due upon maturity. Interest on the loan is based on money market rates. As of March 31, 2019, BC Transit has not drawn on the facility.

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Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

8. Employee Future Benefit Obligations

BC Transit provides sick leave and other various benefits to its employees. These amounts and other employee-related liabilities will require funding in future periods and are set out below.

Continuity of employee future benefits liability:

	2019	2018
Accrued benefit obligation:	\$	\$
Balance, beginning of year	21,022	19,457
Current benefit cost and event-driven expense	1,244	1,315
Interest	459	563
Amortization of actuarial loss	(298)	64
Benefits paid	(344)	(377)
Balance, end of year	22,083	21,022
Unamortized actuarial gain	(5,183)	(3,686)
Liability for benefits	16,900	17,336

The employee future benefits liability reported on the statement of financial position is comprised of:

	2019	2018
	\$	\$
Non-pension post-retirement benefits	13,774	14,492
Post-employment benefits	859	815
Continuation of long-term disability benefits	2,267	2,029
Total liability for benefits	16,900	17,336
Unamortized actuarial gain	5,183	3,686
Employee future benefit obligation	22,083	21,022

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 10 years (2018 – 10 years) for post-employment benefits and 10 years (2018 – 10 years) for post-retirement benefits.

The actuarial assumptions adopted in measuring BC Transit's accrued benefit obligations are as follows:

	2019	2018
Discount rate	2.7% - 2.9%	2.9% - 3.1%
Expected future inflationary increases	2.60% - 5.15%	2.60% - 5.15%
Weighted average health care trend - end of year	6.58% in 2019 grading to 3.76% in and after 2040	6.56% in 2018 grading to 4.29% in and after 2029
Dental and MSP trend – end of year	4.0%	4.5%

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(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

8. Employee Future Benefit Obligations (continued)

Public Service Pension Plan

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly trustee pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. The plan has approximately 106,000 active and retired members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2017, indicated a funding surplus of \$1,896 million for basic pension benefits. The next valuation will be March 31, 2020, with results available later in 2020.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year. This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore there is no consistent and reliable basis for allocating the obligation, assets and costs to individual employers participating in the plan.

The total amount paid into this pension plan by BC Transit for the year ended March 31, 2019, for employer contributions was \$5,736 (2018 – \$5,290).

9. Tangible Capital Assets

Cost	Balance, March 31, 2018	Additions	Disposals	Balance, March 31, 2019
	\$	\$	\$	\$
Land	25,844	597	-	26,441
Exchanges, shelters and other transit infrastructure	64,552	2,724	-	67,276
Buildings	57,284	247	-	57,531
Vehicles	497,580	71,874	(35,005)	534,449
Other equipment	61,373	10,010	-	71,383
Capital projects in progress	38,396	85,447	(85,452)	38,391
Total	745,029	170,899	(120,457)	795,471

Accumulated amortization	Balance, March 31, 2018	Disposals	Amortization	Balance, March 31, 2019
	\$	\$	\$	\$
Exchanges, shelters and other transit infrastructure	20,995	-	5,151	26,146
Buildings	28,363	-	1,958	30,321
Vehicles	293,145	(34,724)	47,718	306,139
Other equipment	44,904	-	6,220	51,124
Capital projects in progress	-	-	-	-
Total	387,407	(34,724)	61,047	413,730

BRITISH COLUMBIA TRANSITNotes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

9. Tangible Capital Assets (continued)

	Balance, March 31, 2018	Balance, March 31, 2019
Net book value	\$	\$
Land	25,844	26,441
Exchanges, shelters and other transit infrastructure	43,557	41,130
Buildings	28,921	27,210
Vehicles	204,435	228,310
Other equipment	16,469	20,259
Capital projects in progress	38,396	38,391
Total	357,622	381,741

Cost	Balance, March 31, 2017	Additions	Disposals	Balance, March 31, 2018
	\$	\$	\$	\$
Land	15,694	10,150	-	25,844
Exchanges, shelters and other transit infrastructure	61,908	2,644	-	64,552
Buildings	51,151	6,133	-	57,284
Vehicles	462,998	75,629	(41,047)	497,580
Other equipment	58,921	2,452	-	61,373
Capital projects in progress	20,717	114,865	(97,186)	38,396
Total	671,389	211,873	(138,233)	745,029

Accumulated amortization	Balance, March 31, 2017	Disposals	Amortization	Balance, March 31, 2018
	\$	\$	\$	\$
Exchanges, shelters and other transit infrastructure	16,116	-	4,879	20,995
Buildings	26,488	-	1,875	28,363
Vehicles	290,506	(40,998)	43,637	293,145
Other equipment	39,531	-	5,373	44,904
Capital projects in progress	-	-	-	-
Total	372,641	(40,998)	55,764	387,407

	Balance, March 31, 2017	Balance, March 31, 2018
Net book value	\$	\$
Land	15,694	25,844
Exchanges, shelters and other transit infrastructure	45,792	43,557
Buildings	24,663	28,921
Vehicles	172,492	204,435
Other equipment	19,390	16,469
Capital projects in progress	20,717	38,396
Total	298,748	357,622

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Year Ended March 31, 2019, with comparative figures for March 31, 2018

9. Tangible Capital Assets (continued)

Assets under construction having a value of \$38,391 (2018 - \$38,396) have not been amortized. Amortization of these assets will commence when the asset is available for service.

During the year, assets with a net book value of \$281 (2018 - \$227) were written off. Interest capitalized for capital projects in 2019 was \$1,107 (2018 - \$439).

10. Victoria Regional Transit Commission

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the consolidated statement of financial position. The cash held in trust and transactions during the year are as follows:

	2019	2018
	\$	\$
Cash held in trust, beginning of year	3,760	9,023
Revenue:		
Fuel tax	20,446	12,558
Property tax	28,863	29,114
Investment and other income	80	112
Government transfers	(46,760)	(47,047)
Cash held in trust, end of year	6,389	3,760

11. Commitments

BC Transit has outstanding commitments as summarized below:

	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$
Operating leases	1,817	1,953	1,613	1,717	1,687
Facilities	30,064	199	-	-	-
Vehicle purchases	26,550	30,898	-	-	-
Information technology	438	-	-	-	-
Other	6,145	5,772	5,911	6,054	6,200
Total	65,014	38,822	7,524	7,771	7,887

12. Contingent Liabilities

The nature of BC Transit's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2019, management has determined that BC Transit has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the financial position of BC Transit.

BC Transit provides secured letters of credit where required for development permits or other activities. The letters of credit are held by a beneficiary who can request a draw on BC Transit's bank account for the specified amount in the event of non-compliance. At March 31, 2019 there were seven letters of credit outstanding for a total amount of \$3,715, none of which have been drawn upon.

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Notes to Consolidated Financial Statements
(In thousands of dollars)

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13. Contractual Rights

BC Transit has three contractual rights contribution agreements with the Province of British Columbia which are summarized below:

- i. Funding for the provincial share of operating services in fiscal 2019/20 and 2020/21 through a three-year operating program contribution agreement (\$113,445 each year).
- ii. Funding to acquire tangible capital assets as part of Canada and British Columbia's Public Transit Infrastructure Fund. The contribution agreement allows federal funding of up to \$27,163 and provincial funding of up to \$17,321 for future fiscal years to fund eligible expenditures incurred to March 31, 2020 as defined within the agreement.
- iii. Funding to acquire tangible capital assets as part of Canada and British Columbia's Investing in Canada Infrastructure Program. Approved projects under the contribution agreement allow federal funding of up to \$57,780 and provincial funding of up to \$50,321 for future fiscal years to fund eligible expenditures incurred to December 31, 2027 as defined within the agreement.

14. Contingent Assets

BC Transit occasionally experiences losses which are expected to be covered by insurance. There were no claims in process for losses on tangible capital assets at March 31, 2019 (2018 - \$1,430).

15. Government Transfers

The transfers reported on the statement of operations are:

	2019	2018
Government transfers:	\$	\$
Provincial contributions:		
Operating transfers	114,888	108,978
Deferred capital contributions	26,103	25,211
Write-off of capital assets	115	38
Contributions for land purchase	440	5,067
	<u>141,546</u>	<u>139,294</u>
Federal contributions:		
Deferred capital contributions	7,072	3,833
	<u>7,072</u>	<u>3,833</u>
Local government contributions:		
Transfers under cost share agreements	97,742	86,863
Deferred capital contributions	991	1,160
Contributions for land purchase	2,502	-
	<u>101,235</u>	<u>88,023</u>
Other:		
Deferred capital contributions	255	210
Total government transfers	<u>250,108</u>	<u>231,360</u>

BRITISH COLUMBIA TRANSITNotes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

16. Classification of Expense By Object

	Budget	2019	2018
	\$	\$	\$
Contracted management fees, wages and benefits	102,109	99,380	95,756
Salaries, wages and benefits	82,236	80,576	72,917
Amortization of capital assets	57,173	61,047	55,764
Fuel and lubricants	31,066	26,515	22,960
Fleet maintenance	24,801	18,322	22,661
Interest	10,640	9,106	9,106
Insurance	6,291	6,317	5,721
Facility maintenance	3,993	4,816	3,647
Information systems	4,695	4,168	3,630
Leases and taxes	4,407	4,062	3,887
Major projects and initiatives	3,953	3,549	1,154
Corporate expenses	2,335	2,539	2,490
Local government expenses	2,284	2,273	2,221
Marketing and communications	2,112	2,117	2,124
Taxi programs	1,812	1,793	1,735
Contracted and professional fees	1,634	1,257	852
Travel and meetings	1,007	827	853
Total operating expenses	342,548	328,664	307,478

17. Budget Data

The budget data presented in these consolidated financial statements was included in the 2018/19-2020/21 Service Plan approved by the Board of Directors on January 25, 2018, and by the Government of British Columbia on February 20, 2018.

18. Additional Information For the Statement of Cash Flows

	2019	2018
Non-cash charges to operations:	\$	\$
Amortization of debt discount	35	38
Amortization of tangible capital assets	61,047	55,764
Amortization of prepaid lease	384	381
Loss on the disposal of tangible capital assets	48	16
Amortization of deferred capital contributions	(34,421)	(30,414)
	27,093	25,785
Changes in non-cash operating working capital:		
Accounts receivable	(15,903)	(23,718)
Accounts payable and accrued liabilities	12,790	(2,007)
Provincial revenue and funding payable	(332)	332
Deferred revenue and contributions	11,171	16,153
Employee future benefits	1,061	1,565
Inventories of parts	(5,202)	326
Prepaid expenses	(719)	(85)
	2,866	(7,434)

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

19. Financial Instruments**(a) Fair Value**

The carrying value of cash and cash equivalents, assets held for sale, accounts receivable and accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of the instruments. Debt sinking funds are reflected on the statement of financial position at fair value.

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Risks Associated With Financial Assets and Liabilities

BC Transit is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange risks as well as credit risk and liquidity risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, interest rate risk, foreign exchange risk and credit risk as discussed below.

Commodity Price Risk

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, use of alternative fueling technologies, entering into physical fixed price agreements to fix all or a portion of fuel prices with a supplier, and/or the potential to enter into financial commodity derivative contracts. Management does not have the authority under the *British Columbia Transit Act* to enter into financial commodity derivative contracts directly. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. No such hedge agreements were entered into during the year.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. BC Transit is exposed to interest rate risk to the extent that there are changes in the prime interest rate. BC Transit may, from time to time, enter into interest rate swap contracts to manage exposure to interest rates and cash flow risk. No such derivative contracts were entered into during the year.

Foreign Exchange Risk

BC Transit is exposed to currency risk on purchases of various capital assets and parts from suppliers requiring payment in either US dollars or pounds sterling. These risks are monitored and can be mitigated by management by entering into foreign currency option agreements. There were no such arrangements entered into during the year.

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Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2019, with comparative figures for March 31, 2018

19. Financial Instruments (continued)

Sensitivity Analysis

The following table is a sensitivity analysis indicating the impact on net surplus (deficit) of a change in each type of market risk discussed above. The sensitivity analysis is based on reasonable possible movement within the forecast period, being one year. These assumptions may not be representative of actual movements in these risks and should not be relied upon. Given the volatility in the financial and commodity markets, the actual percentage changes may differ significantly from the outcomes noted below. Each risk is contemplated independent of other risks.

Estimated impact of a 1% change on annual surplus:	\$
Interest rate risk	405
Foreign exchange risk	305
Commodity risk (fuel)	313

Liquidity Risk

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long-term debt is disclosed in note 7. Other commitments with future minimum payments are disclosed in note 11.

Credit Risk

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents and debt sinking funds where they are invested in Canadian Money Market and Bond Funds. It is management's opinion that BC Transit is not exposed to any significant credit risk due to the credit worthiness of the investments.

(c) Capital Disclosures

BC Transit defines capital as accumulated surplus plus deferred capital contributions. BC Transit receives the majority of these capital funds from federal, provincial or from municipal government partners.

BC Transit's objective when managing capital is to meet its current Service Plan initiatives with the current funding available. BC Transit manages its capital structure in conjunction with the Province and makes adjustments to its Service Plan and related budgets based on available government funding. The focus is to ensure that service levels are preserved within the funding restrictions by the Province and municipal partners.

BC Transit is not subject to debt covenants or other restrictions with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined by the funding party. BC Transit has complied with the external restrictions on any external funding provided.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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20. Related-Party Transactions

There are certain parties that are considered related due to their ability to exercise control over the financial and operating policies of BC Transit. All transactions between BC Transit and its related parties are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As a Crown corporation of the Province, BC Transit and the Province are considered related parties. Provincial transactions and balances have been disclosed elsewhere in the financial statements (note 15).

The BC Transit Board of Directors and Senior Leadership Team are also considered related parties. Transactions consist of remuneration and expense reimbursement.

21. Impact of Accounting For Government Transfers in Accordance With Section 23.1 of the *Budget Transparency and Accountability Act*

As noted in the significant accounting policies, note 2(a), section 23.1 of the *Budget Transparency and Accountability Act* and Restricted Contributions Regulation 198/2001, require BC Transit to recognize non-capital government transfers as revenue in the period the restriction is met, and also require BC Transit to recognize government transfers for the acquisition of capital assets as revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized as revenue. The impact of correcting this difference on the consolidated financial statements of BC Transit is as follows:

As at March 31, 2019 – decrease in deferred revenue and contributions by \$41,612 (2018 - \$30,031) and a decrease in deferred capital contributions by \$262,662 (2018 - \$236,016), and an increase in accumulated surplus by \$304,274 (2018 – \$266,047).

For the year ended March 31, 2019 – increase in annual surplus by \$38,227 (2018 – increase by \$47,670).

22. Investment in Transportation Property and Casualty Company Inc.

In January 2010, the Board of Directors approved the withdrawal from the Transportation Property and Casualty Company Inc. Program ("TPCCP"). As a replacement to TPCCP, BC Transit procured a comprehensive stand-alone insurance coverage program effective April 1, 2010, which is renewed annually. Claims which have been registered and served prior to the withdrawal from the TPCCP program, continue to be settled in an orderly manner and BC Transit will continue to monitor these claims. \$1,828 (2018 - \$1,828) remains in cash equivalents to offset other potential future claims. See note 12 for further details regarding unsettled claims.

23. Economic Dependency

BC Transit is dependent on receiving government transfers from the Province of British Columbia and Local Government Partners for its continued existence and ability to carry out its normal activities.

24. Inventory Tracking Process

Before April 1, 2018, inventory was expensed and billed at the time of shipment to regional transit systems. On April 1, 2018, a new software program and related processes were implemented that provide BC Transit with the ability to accurately track inventory balances at regional locations. Inventory is now tracked and valued at the lower of cost or net realizable value. The change in process resulted in a \$4,400 one-time adjustment that recognized the value of inventory at regional locations and decreased maintenance expense for the year ended March 31, 2019. The decrease was credited back to the local transit system accounts.

BRITISH COLUMBIA TRANSIT

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25. Comparative Figures

Certain of the comparative figures have been reclassified to conform to current year's consolidated financial statement presentation.

Appendix A – Additional Information

Corporate Governance

More information about BC Transit's Senior Leadership Team can be found at:

http://bctransit.com/*/about/executive

More information about BC Transit's governance and funding model can be found at:

http://bctransit.com/*/about/funding-and-governance

Organizational Overview

More information about BC Transit's vision, mission and values can be found at:

http://bctransit.com/*/about

More information about BC Transit's program scope can be found at:

http://bctransit.com/*/about/facts/corporate

A list of BC Transit transit systems can be found at:

http://bctransit.com/*/choose-transit-system

BC Transit's corporate reports, including provincial Service Plans and Annual Reports, can be found at:

http://bctransit.com/*/corporate-reports

BC Transit's Human Resources Action Plan can be found at:

https://bctransit.com/*/human-resources-action-plan

Contact Information

The location of BC Transit's head office can be found at http://bctransit.com/*/about/contact.

Performance Measure Definitions

Goal 1: Increased Ridership

- Performance Measure 1.1a: *Total passenger trips, including taxi (millions)*, measures the effectiveness of, and the demand for, all transit services as provided and is determined by dividing total trips by total service hours.
- Performance Measure 1.1b: *Conventional passenger trips per service hour* measures the effectiveness of, and the demand for, conventional transit services as provided and is determined by dividing conventional passenger trips by conventional service hours.
- Performance Measure 1.1c: *Custom passenger trips per service hour* measures the effectiveness of, and the demand for, custom transit services as provided and is determined by dividing custom passenger trips by custom service hours (does not include taxi trips).
- Performance Measure 1.2: *Communities that have had a service optimization review completed in the past five years* measures BC Transit's efforts to provide transit systems with timely reviews and recommendations to increase transit system efficiency and effectiveness. These may include discussion documents, service reviews, evaluations and other reviews.
- Performance Measure 1.3: *Customer Satisfaction* measures customers' perception of their transit experience and is determined by the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one ("very poor") to five ("excellent").
- Performance Measure 1.4: *Online communication strategy effectiveness* measures customers' perception of BC Transit's online communication and is determined by the average rating of customer tracking survey respondents when asked to rate the quality of the online information, ranging from one ("very poor") to five ("excellent").
- Performance Measure 1.5: *Brand recognition* measures awareness of BC Transit service and is based on the per cent of customer tracking survey respondents who recognize BC Transit's role in the delivery of transit service in their local transit system.

Goal 2: Financial Management

- Performance Measure 2.1a: *Conventional operating cost recovery* measures the self-sufficiency and financial performance of the conventional transit system and is determined by dividing annual conventional passenger and advertising revenue by conventional operating costs.
- Performance Measure 2.1b: *Custom operating cost recovery* measures the self-sufficiency and financial performance of the custom transit system and is determined by dividing annual custom passenger and advertising revenue by custom operating cost (includes taxi trip revenues and costs).
- Performance Measure 2.2a: *Conventional operating cost per passenger trip* measures the efficiency of providing conventional transit service and reflects annual conventional operating cost divided by conventional passengers carried.
- Performance Measure 2.2b: *Custom operating cost per passenger trip* measures the efficiency of providing custom transit service and reflects annual custom operating cost divided by custom passengers carried (includes taxi trip costs and passengers).

Goal 3: Operational Excellence

- Performance Measure 3.1a: *Conventional service hours per capita* measures the amount of conventional service provided, and is determined by the number of conventional service hours delivered divided by the population that lives within 400 m of fixed route bus service.

- Performance Measure 3.1b: *Custom service hours per capita* measures the amount of custom service provided, and is determined by the number of custom service hours delivered divided by the population that lives within 1 km of fixed route bus service (does not include taxi trips).
- Performance Measure 3.2a: *Passenger injury claims per million passenger trips* measures passenger safety with respect to travel-related injuries. The way in which this measure is calculated reflects passenger injury claims through ICBC and is consistent with industry standard.
- Performance Measure 3.2b: *Workplace injuries per 100 employees* measures employee safety using the Total Recordable Injury Rate (TRIR). TRIR is a measure of the rate of recordable workplace injuries, normalized per 100 workers per year.
- Performance Measure 3.3: *Planned service delivered in conventional transit systems* measures the quality of transit service and is based upon the percentage of trips that delivered as scheduled.
- Performance Measure 3.4: *Carbon intensity per service hour* measures BC Transit's Greenhouse Gas Emissions (GHG). Carbon intensity is calculated using the Provincial Government's SMARTTool methodology and is measured by calculating the total emissions of BC Transit's fleet, facilities, and paper usage in carbon dioxide equivalent tonnes.

Goal 4: Strong People and Partnerships

- Performance Measure 4.1: *Employee engagement* measures an employee's involvement with, commitment to, and satisfaction with work. Engagement is assessed through a survey that models what aspects of the workplace influence employee engagement characteristics.
- Performance Measure 4.2: *Partnership satisfaction* measures local government partners' perception of BC Transit's customer service and is determined by the average rating of local government transit partner respondents when asked to rate their customer service received from BC Transit from one ("very poor") to five ("excellent").

Appendix B – Subsidiaries and Operating Segments

Active Subsidiaries

Incorporated in 2011, BC Transit had four wholly owned subsidiaries that held properties intended for future transit development. In the interim period, they operate as rental properties with net revenues attributed back to the province. The subsidiaries are:

- 0928624 BC Ltd.
- 0925406 BC Ltd.
- 0922667 BC Ltd.
- 0915866 BC Ltd.

Inactive Subsidiaries

Subsidiary	Incorporated	Date became dormant	Activity
TBC Properties Inc.	16-Nov-10	Incorporation	N/A
TBC Operations Inc.	16-Nov-10	Incorporation	N/A
TBC Vehicle Management Inc.	16-Nov-10	Incorporation	N/A

Operating Segments

BC Transit has no operating segments.