

BC Transit

2019/20
Annual Service Plan Report



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Board Chair's Accountability Statement



The *BC Transit 2019/20 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2019/20 – 2021/22 Service Plan* created in February 2019. I am accountable for those results as reported.

A handwritten signature in blue ink that reads "Catherine Holt".

Catherine Holt
Board Chair
July 10, 2020

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Letter from the Board Chair & CEO

In 2019/20, BC Transit aligned its strategic direction and performance expectations to the Province's policy objectives as defined in its Mandate Letter, issued in January 2019. 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 economy. These efforts resulted in a year-over-year total annual ridership increase of two 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. BC Transit also explored and pursued opportunities to reduce greenhouse gas emissions through the use of clean, renewable energy.

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 continued to foster strategic alignment. Staff from both BC Transit and the ministry engaged in ongoing consultation to meet their respective organizations' priorities.

BC Transit's Board of Directors and its executive team continued to enhance their professional development activities to meet their obligations. This includes meetings and learning events hosted by the Crown Agencies and Board Resourcing Office.

Catherine Holt



Board Chair

July 10, 2020

Erinn Pinkerton



President and Chief Executive Officer

July 10, 2020

Purpose of the Annual Service Plan Report

The Annual Service Plan Report 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 year's 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

The strategic direction set by Government in 2019/20 and expanded upon in the Board Chair’s [Mandate Letter](#) from the Minister Responsible in 2019 shaped the [2019/20 – 2021/22 Service Plan](#) and results reported in this annual report.

BC Transit is aligned with the Government’s key priorities:

Government Priorities	BC Transit aligns with these priorities by:
Making life more affordable	<ul style="list-style-type: none"> • Objective 2.2 Cost Efficiency
Delivering the services people rely on	<ul style="list-style-type: none"> • Objective 1.1 Service Effectiveness • Objective 1.2 Service Delivery • Objective 1.3 Information Effectiveness • Objective 3.1 Accessibility • Objective 3.2 Safety • Objective 3.3 Quality of Service
A strong, sustainable economy	<ul style="list-style-type: none"> • Objective 2.1 Increased Revenue • Objective 3.4 Environmental Impact • Objective 4.1 Partner Satisfaction • Objective 4.2 Employee Engagement

Operating Environment

Against a changing transportation landscape, BC Transit continued to work with its partners to optimize and enhance services in 2019/20 to ensure that transit remained an affordable, sustainable transportation solution that continued to meet the needs of customers and communities.

With emerging technologies, evolving customer expectations, and a greater focus on environmental sustainability, mobility options are expected to evolve significantly in the years to come. In order to guide the organization through this transition, BC Transit launched a new Strategic Plan, [Transforming Your Journey](#). The plan was developed in close partnership with employees, local government partners, the Province and operating companies, and will inform BC Transit’s strategic objectives for the next five years.

During 2019/20, demand for all transit services continued to increase across the province, with ridership increasing by two per cent.

In addition to expanding service, BC Transit worked to create thriving communities by improving and optimizing service across the province. This included increasing accessibility to transit, introducing new transit routes, investments in custom handyDART service and extended hours of operation. Of particular significance was the work done to create and improve regional and interregional connections, such as the new Penticton to Kelowna regional connector route.

In 2019/20, congestion in Southern Vancouver Island continued to impact commuters. BC Transit worked with the Ministry of Transportation and Infrastructure in an effort to reduce this congestion. In February 2020, a key segment of the southbound priority bus lane was opened along Highway 1/Douglas Street in Victoria, which is designed to improve travel times for commuters travelling into Victoria. BC Transit also continued to work with First Nations, the Province and local government partners to explore opportunities to extend or expand transit service to a greater number of Indigenous communities.

This year, BC Transit implemented several key infrastructure projects supported by federal, provincial and local government investment. The Federal Government's Public Transit Infrastructure Fund Program (PTIF) supported the construction and opening of operating and maintenance facilities in Cowichan Valley and Campbell River. Construction also continued on the Central Fraser Valley operations and maintenance facility. These facilities bring additional space and maintenance support which will allow for future expansion of services in these communities.

NextRide, BC Transit's real-time bus location technology, was implemented in Victoria in July 2019, bringing the total number of transit systems using the technology to seven. NextRide provides customers with real-time bus information and makes it easier for people of all ages and abilities to use transit. To further enhance customer satisfaction, BC Transit initiated its project to implement a new electronic fare collection system. This new system will give customers more convenient and efficient options to pay for their journeys and replace existing systems and technologies that have become obsolete, as well as provide data to enable more informed planning and decision making.

As the population of seniors and those requiring accessible transportation continues to increase, demand for custom transit service has also grown. In alignment with the 2019/20 Mandate Letter, BC Transit continued to implement custom transit improvement recommendations made in the report to the Ministry of Transportation and Infrastructure in 2018. This included establishing equitable service standards, documenting a consistent provincial travel training program and expanding custom transit hours to better match the service span of fixed route transit. Service hours were also increased in a number of communities, including the Regional District of Nanaimo, Cranbrook, Campbell River and Comox Valley. In an effort to reduce the number of unmet trips, the taxi supplement program was also expanded in Victoria and Comox Valley.

In alignment with direction from the Ministry of Transportation and Infrastructure, BC Transit continued the implementation of its Low Carbon Fleet program, which supports provincial targets for GHG emissions and aligns BC Transit with the provincial CleanBC plan. This year, BC Transit added 24 heavy duty compressed natural gas (CNG) buses to the fleet in Whistler, Nanaimo and Victoria. Additionally, funding was announced in July 2019 for the purchase of 118 new buses for use in communities throughout BC. This investment includes funding for ten electric buses for the Victoria Regional Transit System.

Finally, the safety of operators, employees and customers remained a key priority for BC Transit. The installation of CCTV cameras onto buses continued in 2019/20, with more than 680 buses

now equipped with the technology. The installation of full driver doors on high capacity, heavy duty and medium duty buses began in 2019/20. These driver doors will be installed on buses throughout the province and are designed to increase the safety of operators. All new vehicles will now be equipped with driver doors and CCTV.

The impacts of the COVID-19 pandemic in the last month of this reporting period presented a significant challenge to transit agencies worldwide, and an appropriate response will be crucial in achieving future goals. BC Transit was an industry leader in its operational response to the impacts of COVID-19, which included rear door boarding, the waiving of transit fares and the installation of screens to protect operators. The effects of the COVID-19 pandemic were felt at the very end of the 2019/20 reporting period, and will further impact BC Transit in 2020/21.

Report on Performance: Goals, Objectives, Measures and Targets

BC Transit's service delivery was conducted in accordance with the specific accountabilities prescribed in BC Transit's 2019/20 Mandate Letter issued in January 2019. Performance measures for 2019/20 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 favourably against comparable Canadian transit systems.

This performance report highlights BC Transit's results achieved for the fiscal year ending March 31, 2020. The four goals and their corresponding objectives, strategies and performance measures presented in this section are unchanged from the 2019/20 – 2021/22 Service Plan established in February 2019. It should be noted that BC Transit's [2020/21 – 2022/23 Service Plan](#), which was established in February 2020, is reflective of BC Transit's new Strategic Plan, *Transforming Your Journey*, and as such has revised objectives, strategies and performance measures.

Goal 1: Increase Ridership

BC Transit will increase transit ridership by developing, delivering and continuously improving the transit services which people rely on.

Objective 1.1: Service Effectiveness (Transit System)

BC Transit will optimize the effectiveness of provincial transit service.

Key Highlights

- Annual total ridership increased by two per cent, and was four per cent higher than target.
- To improve service efficiency and reliability, there were 99 service changes delivered in transit systems across the province. These service changes included expansions, seasonal adjustments and service reliability improvements.
- 22 service expansions were implemented in 16 transit systems across the province (Whistler, Campbell River, Pemberton, Salt Spring Island, Kamloops, Kelowna, Victoria, Kimberley, Prince George, South Okanagan-Similkameen, Squamish, Mt. Waddington, Williams Lake, Vernon, Central Fraser Valley and Nanaimo), amounting to 64,445 annual expansion service hours.
- Expansions included a new route to the Nanaimo airport, introduction of an inter-regional service between Penticton and Kelowna, major investments in developing Abbotsford's Frequent Transit Network, and the introduction of expanded late night service in Victoria.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.1a	Total passenger trips, including taxi (millions) ¹	57.4	56.6	58.7	57.8	58.0
1.1b	Total Conventional passenger trips (millions) ¹	55.1	54.3	56.4	55.4	55.5
1.1c	Total Paratransit passenger trips, including taxi (millions) ¹	1.2	1.0	1.2	1.1	1.1
1.1d	Total Custom passenger trips, including taxi (millions) ¹	1.1	1.3	1.1	1.3	1.4
1.1e	Conventional passenger trips per service hour ¹	28.9	27.6	29.1	27.1	29.2
1.1f	Paratransit passenger trips per service hour, excluding taxis ¹	6.4	5.2	6.3	5.1	5.5
1.1g	Custom passenger trips per service hour, excluding taxi ¹	2.7	3.3	2.6	3.2	3.4

Data source: BC Transit internal tracking data.

¹ Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results.

Discussion of Results

Passenger trips per service hour is a measure of the effectiveness of, and the demand for, transit services as provided. The total passenger trips, conventional and paratransit passenger trips per service hour exceeded the targets, while custom passenger trips per service hour were slightly below target.

The 2019/20 total passenger trips, conventional and paratransit passenger trips per service hour results reflect that the development, delivery, improvement and expansion of fixed route transit services has been effective in increasing ridership levels and service utilization rates within these transit systems. Additional factors that may have contributed to increased ridership include strong economic and employment growth in communities across the province. Custom passenger trips were below target, which was in large part this was due to fewer scheduled service hours being delivered than budgeted for. Primarily this was as a result of service expansion hours not being used. COVID-19 also affected custom ridership in March 2020. While below target, the result is 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: Service Delivery (Transit System)

BC Transit is a customer-oriented service. Customer 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

- New data received through the Smart Bus program was used to improve schedule reliability and on-time performance.
- 89 per cent of all communities have had a service review over the last five years.
- More than 15 engagement processes were initiated and delivered in support of transit planning processes, resulting in engagement with over 6,500 people across the province.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.2a	Customer Satisfaction – Overall ^{1,2}	3.57	3.72	3.55	3.73	3.74
1.2b	Customer satisfaction – Custom Transit ³	N/A	3.50	3.85	3.55	3.56

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

¹ 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").

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

³ This was a new performance measure for 2019/20. Customer satisfaction – Custom Transit is determined by the average rating of respondents when asked to rate their experience out of 100. This score is then converted to a mark out of five.

Discussion of Results

Customer satisfaction, a measure of the effectiveness of BC Transit in meeting customer expectations for service delivery, 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"). Customer satisfaction overall was slightly below the 2018/19 level and did not reach the target for 2019/20. Customers cited lack of bus stop amenities, frequency of scheduled service and wait times for connections as areas for improvement.

Customer satisfaction for custom transit is a new performance measure that was introduced in 2019/20. BC Transit exceeded the target for this measure. Key drivers for this score included driver helpfulness, value for money and vehicle safety.

Objective 1.3: Information Effectiveness (Corporate)

BC Transit will enhance online information to meet the evolving expectations of customers, community groups and stakeholders.

Key Highlights

- NextRide was introduced into the Victoria Regional Transit System and is now available in seven transit systems.
- A digital and social media audit was undertaken, which included public consultation and a survey of almost 1,800 people. Recommendations being pursued include implementing an enterprise social media management tool and improving security practices.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
1.3	Online communication strategy effectiveness ^{1,2}	3.77	3.80	3.69	3.90	3.90

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

¹ 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").

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

Discussion of Results

The online communication strategy effectiveness, a measure of customers' perceptions of BC Transit's online information resources, did not meet the 2019/20 target. A key reason for this was a major change to the BC Transit Trip Planner in the website, which changed how users planned their trips, as well as periodic website instability. Stabilizing and enhancing BC Transit's core website is a key priority for 2020/21 and is expected to assist in improving this result.

The Online Communication Strategy Effectiveness performance measure contained in this and previous service plans has been removed from the 2020/21 – 2022/23 Service Plan. The measure did not reflect the number of different ways that BC Transit information reaches its intended audience, beyond online channels. Instead, BC Transit will focus on overall customer satisfaction, regardless of the channel used by customers to reach information or seek resolution when an issue arises.

Goal 2: Financial Management

BC Transit will practice sound financial management focused on efforts to contain costs and maximize efficiencies while expanding the contribution of sustainable, non-tax sources of revenue.

Objective 2.1: Increased Revenue (Corporate)

BC Transit will practice sound corporate financial management by improving fare yield and increasing advertising revenue.

Key Highlights

- Revenue generated from fares was approximately two per cent higher than target. This can be attributed to increased ridership from service expansions, fare reviews, an increase in prepaid product sales and increased U-PASS program enrollments.
- Total operating expenses (excluding amortization and interest) were lower than budgeted and can be attributed primarily to lower than budgeted fuel prices, maintenance costs, and labour and benefit costs.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.1a	Conventional operating cost recovery ^{1,2}	36.71%	32.89%	35.24%	31.21%	32.94%
2.1b	Paratransit operating cost recovery ^{1,2}	13.60%	12.38%	13.11%	11.61%	12.11%
2.1c	Custom Operating cost recovery ^{1,2}	5.30%	4.89%	4.98%	4.63%	4.74%

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

¹ 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.

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

Discussion of Results

A strong level of cost recovery reduces the overall subsidy from local government taxpayers. Conventional, paratransit and custom operating cost recovery was higher than the targets identified in the 2019/20 – 2021/22 Service Plan. While operating cost recovery levels decreased slightly from 2018/19, the results outperformed expectations primarily due to input costs (e.g. fuel, labour, and maintenance costs) being less than expected and passenger revenues exceeding expectations.

The Operating Cost Recovery performance measures contained in this and previous service plans has been removed from the 2020/21 – 2022/23 Service Plan, and replaced by Operating Cost per Hour. This is primarily because cost recovery is determined in part by transit fares, which are set by local government partners and vary by transit system. Operating cost per hour allows a consistent year-over-year comparison and is more easily benchmarked against other Canadian transit agencies.

Objective 2.2: Cost Efficiency (Corporate)

BC Transit will practice sound corporate financial management by focusing on corporate and administrative cost efficiencies.

Key Highlights

- Total ridership grew by two 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. This is as a result of lower than anticipated costs for fuel, maintenance and labour.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
2.2a	Conventional operating cost per passenger trip ^{1,2}	\$3.81	\$4.34	\$4.00	\$4.57	\$4.33
2.2b	Paratransit operating cost per passenger trip ^{1,2}	\$12.77	\$15.50	\$13.24	\$16.16	\$15.50
2.2c	Custom Operating Cost per passenger Trip ^{1,2}	\$29.49	\$23.79	\$28.57	\$25.27	\$24.40

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

¹ 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.

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

Discussion of Results

Operating cost per passenger trip, a measure of the cost effectiveness of providing transit service, increased moderately over 2018/19 levels for conventional and paratransit service, while decreasing for custom transit. For conventional and paratransit service, this measure outperformed targets identified in the 2019/20 – 2021/22 Service Plan. Improvements reflect efforts to increase ridership while containing operating costs. Input costs (e.g. fuel, labour, and maintenance costs) were also less than expected.

Goal 3: Operational Excellence

BC Transit provides transit service when and where people want it. BC Transit will continue to develop, deliver and improve transit services for conventional and paratransit passengers and for customers who aren't able to use conventional or paratransit service. These services are designed to exceed the expectations of our customers while respecting the expectations of taxpayers and community stakeholders.

Objective 3.1: Accessibility (Transit System)

BC Transit will deliver operational excellence by expanding conventional, paratransit, and custom services in transit systems in communities across the province.

Key Highlights

- 99 service changes were delivered, including expansions, seasonal adjustments and service reliability improvements.
- 22 service expansions were implemented in 16 transit systems across the province, which amounted to more than 64,000 annual expansion hours.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.1a	Conventional service hours per capita ^{1,2,3}	1.50	1.39	1.37	1.42	1.29
3.1b	Paratransit service hours per capita ^{1,4}	0.37	0.37	0.36	0.40	0.37
3.1c	Custom service hours per capita ^{1,5}	0.23	0.22	0.22	0.22	0.21

Data Source: BC Transit internal tracking data.

¹ 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.

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

³ 2019/20 target value was below 2018/19 actual value due to increased population estimates in 2019/20.

⁴ Paratransit service hours per capita is determined by the number of paratransit service hours delivered divided by the population that lives within 1,000 m of fixed route bus service.

⁵ Custom service hours per capita is determined by the number of custom service hours delivered divided by the population that lives within 1,500 m of fixed route bus service (does not include taxi trips).

Discussion of Results

Service hours per capita is a measure of the amount of transit services available to residents of a service area. Conventional and paratransit 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, were slightly below the targets identified for 2019/20. Custom service hours per capita was on target. These results reflect that conventional and paratransit service expanded at a slightly lower 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 a high-level of passenger and employee safety.

Key Highlights

- Installation of full driver doors began in 2019/20. This program, designed to improve operator safety, will see all conventional transit vehicles equipped with full driver doors.
- The number of vehicles with CCTV increased to more than 680. Correspondingly, the number of investigations using CCTV as evidence increased from 1,596 in 2018/19 to 2,183 in 2019/20.
- Expanded organizational safety programs to include risk assessments and safe work procedures for staff and supervisors in operational departments.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.2a	Passenger injury claims per million passenger trips ^{1,2}	1.6	1.9	1.5	1.8	1.8
3.2b	Workplace injuries per 100 employees ^{3,4}	6.4	4.2	7.4	4.2	4.1

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

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

³ Data Source: BC Transit internal tracking data.

⁴ Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

Discussion of Results

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 2019/20 – 2021/22 Service Plan. This result suggests that BC Transit's focused improvements in driver training continued to be successful. Further, the implementation of CCTV cameras on additional buses has assisted in reducing the number of successful claims against BC Transit.

Workplace injuries per one hundred employees is a measure of employee safety using the Total Recordable Injury Rate (TRIT). During 2019/20 BC Transit saw results falling short of target. This was driven primarily by increased soft tissue injuries being reported. Improved safe work procedures and ongoing training is expected to result in a reduction in this injury rate in the future.

Objective 3.3: Quality of Service (Corporate)

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

Key Highlights

- To ensure compliance with service delivery standards, five Service Experience Evaluation (SEE) reviews, which are extensive onboard audits of the service experience, were completed on transit systems across the province.
- 99 service changes were delivered, including expansions, seasonal adjustments and service reliability improvements.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.3	Planned service delivered in conventional transit systems	99.9%	99.9%	99.6%	99.9%	99.9%

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

Discussion of Results

Planned service delivered in conventional transit systems is based upon the percentage of scheduled transit vehicle trips that are delivered. The target identified in the 2019/20 – 2021/22 Service Plan was not met. This was in part due to maintenance challenges in fall 2019 caused by the delivery of expanded service hours through the existing, ageing fleet in Victoria. The impacts on service caused by the construction on the Point Ellice Bridge and the McKenzie Interchange on Highway 1 in Victoria were also a factor. In March 2020, operator shortages, in part caused by the effects of the COVID-19 pandemic, were also a factor in delivering planned service.

Objective 3.4: Environmental Impact (Transit System)

BC Transit will achieve operational excellence by reducing the environmental impact of its provincial transit systems.

Key Highlights

- BC Transit continued 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.
- Increased the number of CNG buses deployed across the province and introduced CNG to Victoria Regional Transit System with a CNG fuelling station at the Langford Transit Centre.
- Federal funding was secured for ten electric buses and supporting infrastructure for the Victoria Regional Transit System.
- In collaboration with FortisBC, several transit facility energy assessments were completed across the province, including in Kamloops and Vernon, to support increased energy efficiency.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
3.4a	Carbon (GHG) intensity per service hour ^{1,2}	27.50	28.35	27.00	28.30	28.25
3.4b	Percentage of lower-emission vehicles in bus fleet (CNG, hybrids & electric) ^{3,4}	13%	21%	14%	23%	25%

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

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

³ Data Source: BC Transit internal tracking data.

⁴ Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

Discussion of Results

Carbon intensity per service hour, a measure of BC Transit’s Greenhouse Gas Emissions (GHG), outperformed the target identified in the 2019/20 – 2021/22 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 2019/20 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. Additionally, BC Transit was able to take advantage of a lower carbon diesel fuel blend provided by its fuel provider.

The target for percentage of lower-emission vehicles in the bus fleet was not met in 2019/20, which was in large part due to the timing of deliveries for new CNG buses. A further 39 CNG vehicles are expected to be delivered to Victoria in spring 2020, which will increase this proportion. Delivery of these vehicles was originally expected at the end of 2019/20, but was delayed. This performance measure has been replaced by ‘total GHG emissions’ in the 2020/21 – 2022/23 Service Plan. Total GHG emissions is a better representation of BC Transit’s commitment to meeting provincial GHG reduction targets.

Goal 4: Strong People and Partnerships

BC Transit's service model rests on a foundation of strong partnerships with the provincial and local governments and with contracted service providers. These partnerships are enabled and enriched by a strong relationship with BC Transit's transit operators and other employees who deliver the transit services people count on.

Objective 4.1: Partner Satisfaction (Corporate)

BC Transit will strengthen its partnerships by improving partner satisfaction.

Key Highlights

- The Government Relations team has continued to be 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.
- 89 per cent of all communities have had a service review over the last five years.
- Initiated more than 15 engagement processes in support of transit planning processes, resulting in engagement with over 6,500 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)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
4.1	Partner Satisfaction ^{1, 2}	4.08	4.20	4.04	4.20	4.20

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

¹ 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").

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

Discussion of Results

Partner satisfaction, a measure of local government partners' perception of BC Transit's customer service, did not meet the target identified in the 2019/20 – 2021/22 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 result fell short of the target, partnership satisfaction was only slightly below 2018/19 level and remains relatively high, reflecting BC Transit's sustained efforts to work collaboratively with its local government partners to implement service optimizations and enhancements.

Objective 4.2: Employee Engagement (Corporate)

BC Transit will strengthen its people by improving employee engagement. Employee engagement is essential to nurturing an innovative workforce that allows BC Transit to do its part to build a strong, sustainable economy in British Columbia.

Key Highlights

- In support of the Strategic Plan process, 25 internal engagement sessions were hosted for BC Transit administrative, operations and maintenance employees. This included open houses, targeted information sessions and online information.
- The Engagement and Culture Group (ECG) implemented recommendations brought forward from the 2017 employee engagement survey, including improving the work environment, communication from leadership and the creation of an employee suggestion program.
- The People & Culture Plan was finalized, which outlines how the organization will grow, support, lead and engage with our employees over the next five years.
- Continued delivery of the Recognizing Excellence and Values (REV) program, BC Transit’s employee recognition program, which incorporates recognition of key milestones, peer recognition and core value awards.

Performance Measure(s)		2018/19 Actuals	2019/20 Target	2019/20 Actuals	2020/21 Target	2021/22 Target
4.2	Employee engagement ^{1,2}	N/A	70	64	71	72

Data Source: Employee survey.

¹ No survey was undertaken in 2018/19.

² Target values for 2020/21 and 2021/22 were adjusted in the 2020/21 – 2022/23 Service Plan based on 2019/20 results

Discussion of Results

The employee engagement survey measures the overall health of the work environment. Questions cover many aspects of employees’ day-to-day work, physical environment and working conditions, development and performance, co-worker and supervisor relationships, satisfaction with the organization in general and commitment to the organization. The employee engagement score was below target in 2019/20. This score was particularly impacted by scores relating to work tools, stress and workload, physical work environment and the perceived fairness of remuneration. Initiatives being pursued to improve this engagement score in 2020/21 include implementing an organizational change management policy, improving the performance review process and assessing where improvements can be made to increase work-life balance.

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, 2020. 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, 2020 included within this 2019/2020 Annual Service Plan Report.

Highlights

Total revenues recognized for the year ending March 31, 2020 were \$343.5 million, an increase of \$12.7 million from fiscal 2018/19 and \$9.4 million lower than budget. The increase in operations revenue from fiscal 2018/19 can be attributed to increased ridership from service expansions, an increase in ticket and prepaid product sales, and increased UPASS program enrollments. Fare collection was suspended for safety reasons related to COVID-19 on March 19, 2020 and resulted in an estimated negative variance to fare revenues of \$800,000. Most of the financial implications of the pandemic will be realized in fiscal 2020/21.

Total operating expenses (excluding amortization and interest) for the year ending March 31, 2020 were \$275.0 million, an increase of \$16.5 million over 2018/19. This can be attributed to service expansions, inflationary labour increases, increases in technology and related expenses, and inflation on general operating expenses. Total operating expenses (excluding amortization and interest) were \$9.8 million lower than budget. This can be attributed to lower than budgeted fuel prices, lower labour and benefit costs due to vacancies, lower insurance, operational software costs and training costs.

Amortization and interest expense for the year ending March 31, 2020, totaled \$68.4 million, a decrease of \$0.8 million from fiscal 2018/19 and \$0.3 million higher than budget. Amortization was higher than budget due to timing of projects in-service dates compared to the forecast and minor adjustments in project useful life.

Contributions received for the purchase of land for the year ending March 31, 2020 totaled \$0.8 million. This revenue represents provincial funding for properties acquired. The acquired properties will be used to build transit facilities and meet demands for transit services.

Financial Summary

Figures in \$ thousands

As at March 31, 2020

	2018/19	Actual	2019/20		Variance to Budget
	Actual		Budget	Variance Year over Year (Un)Favourable	
Revenue					
Operations	80,759	83,396	81,104	2,637	2,292
Government transfers					
Provincial	114,888	108,078	117,889	(6,810)	(9,811)
Local government*	97,263	108,589	113,572	11,326	(4,983)
Deferred capital contributions	33,928	35,738	34,672	1,810	1,066
Investment and other income	3,987	7,732	5,663	3,745	2,069
Total Revenues	330,825	343,533	352,900	12,708	(9,367)
Expenses					
Operations					
Operations (excl. fuel)	151,221	156,220	157,922	(4,999)	1,702
Fuel	25,980	25,506	31,291	474	5,785
Amortization and interest	64,514	62,861	63,029	1,653	168
Total operations	241,715	244,587	252,242	(2,872)	7,655
Maintenance					
Fleet	42,582	50,922	53,594	(8,340)	2,672
Facilities	9,534	10,987	11,132	(1,453)	145
Amortization and interest	3,491	4,179	3,884	(688)	(295)
Total maintenance	55,607	66,088	68,610	(10,481)	2,522
Administration					
Administration	29,193	31,400	30,927	(2,207)	(473)
Amortization and interest	1,177	1,341	1,121	(164)	(220)
Total administration	30,370	32,741	32,048	(2,371)	(693)
Total Expenses	327,692	343,416	352,900	(15,724)	9,484
Annual Operating Surplus (Deficit)	3,133	117	-	(3,016)	117
Non-Operating Items:					
Disposals, gain on investments & other	(59)	(515)	-	(456)	(515)
Contributions for land purchase	2,942	819	-	(2,123)	819
Total Non-Operating Items	2,883	304	-	(2,579)	304
Annual surplus (deficit)	6,016	421	-	(5,595)	421
Capital expenditures	84,448	72,919	193,437	11,529	120,518
Total Liabilities	574,633	589,001	608,541	(14,368)	19,540
Accumulated Surplus	26,309	27,492	23,030	1,183	4,462

* Includes Provincial Health Authority and fuel tax funding

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

Variance and Trend Analysis

Passenger Trips and Service Hours

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 facilities (transit exchanges, park & rides and technology) and general economic conditions such as employment, demographics, economic development, fuel prices and population changes. In recent years, transit ridership has been growing at a higher rate than service hours. The relationship between passenger trips and service hours is illustrated in the table below:

SUMMARY	2016/17	2017/18	2018/19	2019/20
<i>Figures in thousands</i>	Actual	Actual	Actual	Actual
Service hours (000s)	2,297	2,334	2,425	2,463
% increase		1.6%	3.9%	1.6%
Passenger trips (000s)	52,338	54,114	57,374	58,679
% increase		3.4%	6.0%	2.3%

Passenger trip growth across the province was higher than service hour growth with an overall year-over-year increase of 2.3 per cent. The Victoria Regional Transit System (VRTS) conventional passenger trips increased year-over-year by 1.0 per cent and Regional Transit Systems' (RTS) conventional passenger trips increased year over year by 3.8 per cent. Total custom/paratransit system passenger trips decreased year over year by 1.4 per cent or 33,000 rides, which was primarily attributable to the decrease in ridership in March 2020 due to the COVID-19 pandemic. There were a total of 6,000 passenger trips on the BC Bus North service.

Total service hours delivered increased year-over-year by 38,000 hours¹ or 1.6 per cent reflecting annualized 2018/19 service expansions and implementation of 2019/20 service expansions. In 2019/20, more than 64,000 annual service hours were implemented as part of 22 service expansions in 16 different transit systems.

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.

Total Revenue

Transit service is primarily funded through two funding parties: the Provincial and Local Governments. Per capita Provincial operating transfers are one of 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, 2020 was \$83.4 million, an increase of \$2.6 million over 2018/19 and \$2.3 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.

Provincial

The Provincial operating transfers for the year ending March 31, 2020 were \$108.1 million. The decrease in Provincial government transfers of \$6.8 million from fiscal 2018/19 is offset by the utilization of BC Transit's operating reserves.

Local Government

Local government transfers were \$108.6 million, an increase of \$11.3 million from fiscal 2018/19 and \$5.0 million below budget. Local government transfers were lower than budget as a result of higher operations revenue and additional funding from the carbon credit sales and a one time employee benefit credit offset by higher 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 reductions to the operating reserves for the year ending March 31, 2020 were \$23.8 million. Operating reserves will be used 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 \$35.7 million for the year ending March 31, 2020, an increase of \$1.8 million over fiscal 2018/19 and \$1.1 million higher than budget. The increase over prior year can be attributed to additional capitalized assets during the year. Contributions were higher than budget due to timing of completion of capital projects.

Investment and Other Income

Investment and other income for the year ending March 31, 2020 was \$7.7 million, an increase of \$3.7 million over fiscal 2018/19 and \$2.1 million over budget. This balance consists of interest earned on sinking funds, carbon credit sales, rental income on strategic properties held for long-term transit development being leased in the short-term, and other miscellaneous

income. During the year, BC Transit completed its first sale of carbon credits earned from CNG buses for \$1.6 million. The increase can be attributed to that sale of carbon credits and the recognition of an employee benefit reserve from a prior period.

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, 2020 were \$343.4 million, an increase of \$15.7 million over fiscal 2018/19 and \$9.5 million lower than budget.

The total expense increase over fiscal 2018/19 can be attributed to service hour expansions, inflationary increases in wages and benefits, filled vacancies from prior year, higher fleet and facility maintenance, and IT costs.

The total expenses were lower than budget due to lower than budgeted fuel price, lower fleet maintenance costs, lower labour costs due to vacancies, operational software expenses, and professional (legal fees).

Operations Expense

<i>Figures in thousands</i>	2018/19	2019/20	2019/20	Variance		Variance	
	Actual	Actual	Budget	Year over Year		to Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Operations							
Operations (<i>excl fuel</i>)	151,221	156,220	157,922	(4,999)	(3.3)	1,702	1.1
Fuel	25,980	25,506	31,291	474	1.8	5,785	18.5
Total Operations	177,201	181,726	189,213	(4,525)	(2.6)	7,487	4.0

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, 2020 were \$156.2 million, \$5.0 million over fiscal 2018/19 and \$1.7 million lower than budget. Expenses were lower than budget due primarily to vacancies, lower insurance, operational software costs and lower service hours. Operations expenses increased over fiscal 2018/19 due to higher service hours, and labour increases in line with PSEC guidelines and collective agreements. These were offset by operations expenses for BC Bus North service that were not budgeted.

Fuel Expense

Fuel expense for the year ending March 31, 2020 was \$25.5 million, a decrease of \$0.5 million over fiscal 2018/19 and \$5.8 million lower than budget. The decrease from fiscal 2018/19 is

attributable to overall lower market rates for diesel fuel and by the addition of 24 compressed natural gas buses delivered to Victoria and Whistler. For 2019/20, the average diesel fuel price was \$1.13 per litre, compared to a budget of \$1.28 per litre.

Fuel	2018/19	2019/20	2019/20	Variance		Variance	
	Actual	Actual	Budget	Year over Year	Year over Year	to Budget	to Budget
				(%)	(%)		
Diesel volume (000s litres)	21,397	21,493	23,310	(96)	(0.4)	1,817	7.8
Diesel price per litre (\$)	1.17	1.13	1.28	0.04	3.3	0.15	11.7
Total Diesel cost (\$000s)	24,939	24,304	29,837	635	2.5	5,533	18.5
CNG volume (000s DLE*)	4,534	4,824	5,193	(290)	(6.4)	369	7.1
CNG price per litre (\$)	0.23	0.25	0.28	(0.02)	(8.3)	0.03	11.1
Total CNG cost (\$000s)	1,041	1,201	1,454	(160)	(15.4)	253	17.4
Total Fuel Cost (\$000s)	25,980	25,506	31,291	474	1.8	5,785	18.5
*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>	2018/19	2019/20	2019/20	Variance		Variance	
	Actual	Actual	Budget	Year over Year	Year over Year	to Budget	to Budget
Maintenance	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Fleet	42,582	50,922	53,594	(8,340)	(19.6)	2,672	5.0
Facilities	9,534	10,987	11,132	(1,453)	(15.2)	145	1.3
Total Maintenance	52,116	61,909	64,726	(9,793)	(18.8)	2,817	4.4

Fleet Maintenance

Fleet maintenance expenses for the year ending March 31, 2020 were \$50.9 million, an increase of \$8.3 million over fiscal 2018/19 and \$2.7 million lower than budget. The increase over fiscal 2018/2019 was attributed primarily to the average age of the fleet increasing by 15%, comprehensive warranty expiration on 174 buses, and 2018/19 included a one-time inventory credit of \$4.4 million.

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 United States 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, 2020, BC Transit had 1,096 buses in service (not including contingency vehicles). The fleet is comprised of 67 high capacity buses, 512 heavy duty buses, 171 medium duty buses and 346 light duty buses.

2019/20			
	Total	Victoria Region	Other Regions
High Capacity	67	67	0
Heavy Duty	512	193	319
Medium Duty	171	27	144
Light Duty	346	15	331
Total	1,096	302	794

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 an 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. These useful lives are consistent with industry standards.

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, 2020 were \$11 million, an increase of \$1.5 million over fiscal 2018/19 and \$0.1 million lower than budget. The increase from fiscal 2018/19 can be attributed to increased leasing costs, filled vacancies, additional facility infrastructure consulting in Regional Transit and increased CNG infrastructure. The favourable variance from budget is primarily attributable to vacancies, and a one-time credit for lease offset by higher outside services in Victoria.

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 and transit service needs identified in the Transit Future Plans. In addition, planning initiatives are also underway that identify bus parking, maintenance and storage requirements, provide options for maximizing the capacity and efficiency of existing facilities, and identify improvements to transit priority measures, park and rides, and transit exchanges. These studies will identify recommendations for future infrastructure investments.

Administration Expense

<i>Figures in thousands</i>	2018/19	2019/20	2019/20	Variance		Variance	
	Actual	Actual	Budget	Year over Year	to Budget		
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Administration	29,193	31,400	30,927	(2,207)	(7.6)	(473)	(1.5)

Total administrative expenses for the year ending March 31, 2020 were \$31.4 million, an increase of \$2.2 million over fiscal 2018/19 and \$0.5 million higher than budget. The increase from fiscal 2018/19 can be attributed to inflationary salary increases, higher legal expenditures offset by lower consulting, marketing expenditures and unfilled vacancies.

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 safety, training, planning, technology, 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>	2018/19	2019/20	2019/20	Variance		Variance	
	Actual	Actual	Budget	Year over Year		to Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Debt Service							
Interest	9,107	8,586	9,473	521	5.7	887	9.4
Amortization	60,075	59,795	58,561	280	0.5	(1,234)	(2.1)
Total Debt Service	69,182	68,381	68,034	801	1.2	(347)	(0.5)

Amortization and interest expense for the year ending March 31, 2020 was \$68.4 million, a decrease of \$0.8 million from fiscal 2018/19 and \$0.3 million higher than budget. Amortization expense was higher than budget due to timing of completion of capital projects compared to forecast or a difference in useful life. Interest expense was \$0.9 million lower than budget as a result of lower than budgeted capital expenditures which deferred the need for fiscal agency loans.

Non-Operating Items

Loss on disposal of assets and investments was \$0.5 million as BC Transit worked to renew the aging bus fleet during the year and incurred other various project write-off costs.

Contributions for the purchase of land were received during the year totaling \$0.8 million. This revenue represents provincial 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. 2019/20 capital expenditures focused primarily on the acquisition of buses and the ongoing refurbishment and replacement of major components on existing buses, as well as capital expenditures towards the completion of new operations and maintenance facilities in Campbell River, the Central Fraser Valley and the Cowichan Valley.

Capital expenditures were approximately \$120.5m under budget. This was in large part due to the delay in completing the Central Fraser Valley operations and maintenance facility, which in turn delayed the delivery of vehicles. The deferral of planned land acquisitions in Victoria and Chilliwack also contributed.

Under traditional funding arrangements, the Province provides deferred capital contributions based on cost sharing percentages 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 PTIF contribution agreement with the Province for projects eligible for Federal funding. The funding from this agreement has been allocated 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 ICIP contribution agreement with the Province for projects eligible for Federal funding. Approved funding has been allocated toward the acquisition and construction of transit infrastructure, buses and technologies. Program funding is available through to fiscal 2027/28.

The following illustrates the categories of capital project expenditures in fiscal 2019/20 (in thousands of dollars):

2019/20	(\$)
Vehicle Projects	29,379
Exchanges, shelters and other transit infrastructure	1,208
Other (IT, equipment, technology)	9,465
Buildings	30,153
Land	2,714
Total Capital Expenditures	72,919

Liquidity and Capital Resources

Cash Flows and Liquidity

The net change in cash and cash equivalents in the year was an increase of \$11.3 million (2018/19 – increase of \$4.5 million). Net cash outflow for tangible capital assets was \$21.5 million (2018/19 – \$15.7 million) being the difference between cash used to acquire tangible capital assets and the deferred capital contributions received.

Throughout the year ending March 31, 2020, 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 2020/21 between working capital, operating and capital grants, and forecasted new fiscal agency loans in 2020/21 to proceed with its service plan. Management is expecting to acquire new fiscal agency loans in 2020/21 to fund the capital plan.

Debt

Total debt outstanding as at March 31, 2020 was \$167.1 million (March 31, 2019 - \$168.9 million). The decrease is due to a \$1.8 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 5.08 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, 2020 were \$110.1 million (March 31, 2019 - \$102.8 million). The increase in debt sinking funds relates to sinking fund installments of \$4.6 million paid into the fund, mark-to-market gains of \$1.1 million along with interest income earned of \$3.7 million. These increases were partially offset by a redemption of \$2.2 million

during the period to repay loan. The overall portfolio of debt sinking funds remains in an accumulated gain position of \$8.0 million (March 31, 2019 - \$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, 2020 was \$15.6 million (2018/19 – decrease of \$1.6 million). The significant changes in working capital for the year ending March 31, 2020 can be attributed to a decrease in accounts receivable of \$16.9 million offset by an increase to inventories of parts of \$2.5 million along with other minor changes. Accounts receivable has decreased in fiscal 2019/20 due to timely payment of contributions receivable from the Provincial and Federal governments as part of the PTIF and ICIP capital programs. The increase in inventory balances is the result of a strategy to provide more stock to the regional transit systems to enable faster repairs to aid in service delivery.

Accumulated Surplus

Accumulated surplus as at March 31, 2020 was \$27.5 million, an increase of \$1.2 million from March 31, 2019. The increase in the accumulated surplus primarily relates to net mark-to-market increase on debt sinking funds of \$0.8 million combined with the annual surplus of \$0.4 million.

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.

Pandemic Risk is the risk BC Transit will encounter difficulty in meeting service, safety and financial obligations during a pandemic. BC Transit manages this risk by having emergency preparedness plans in place and by following the health guidance from of the Province of BC and the Provincial Health Officer.

Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

Year ended March 31, 2020

MANAGEMENT REPORT

Year ended March 31, 2020

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 28, 2020.

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 PricewaterhouseCoopers LLP 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 28, 2020



Roland Gehrke, CPA CA
Vice President, Finance and Chief Financial Officer
May 28, 2020



Independent auditor's report

To the Board of Directors of British Columbia Transit

Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Transit (BC Transit) and its subsidiaries as at March 31, 2020 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

BC Transit's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2020;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of change in net debt for the year then ended;
- the consolidated statement of remeasurement gains and losses for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the BC Transit in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
Central City Tower, 13450 102 Avenue, Suite 1400, Surrey, British Columbia, Canada V3T 5X3
T: +1 604 806 7000, F: +1 604 806 7806

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Emphasis of matter - basis of accounting

We draw attention to note 2(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 21 to the consolidated financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

Comparative information

We draw attention to note 3 to the consolidated financial statements, which explains that certain comparative information for the year ended March 31, 2019 has been revised. The consolidated financial statements of BC Transit for the year ended March 31, 2019 (prior to the revision of the comparatives information) were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on May 30, 2019 due to the significant differences between the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia which was the basis of accounting used by BC Transit, and Canadian public sector accounting standards. Our opinion is not modified in respect of this matter.

As part of our audit of the consolidated financial statements of BC Transit for the year ended March 31, 2020 we also audited the adjustments described in note 3 that were applied to revise the consolidated financial statements for the year ended March 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of BC Transit for the year ended March 31, 2019 other than with respect to the adjustments and accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended March 31, 2019 taken as a whole.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of 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 unless management either intends to liquidate BC Transit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing BC Transit's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BC Transit to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BC Transit to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We 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 we identify during our audit.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Surrey, British Columbia
June 2, 2020

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(In thousands of dollars)

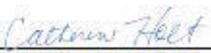
March 31, 2020, with comparative figures for March 31, 2019

	March 31, 2020	March 31, 2019
FINANCIAL ASSETS	\$	\$
Cash and cash equivalents (note 4)	28,842	17,556
Accounts receivable (note 5)	67,055	83,989
Debt sinking funds (note 8)	110,050	102,765
	<u>205,947</u>	<u>204,310</u>
LIABILITIES		
Accounts payable and accrued liabilities	36,855	36,394
Due to Province	926	-
Deferred revenue and contributions (note 6)	88,174	87,669
Deferred capital contributions (note 7)	273,811	259,608
Debt (note 8)	167,051	168,879
Employee future benefits (note 9)	22,184	22,083
	<u>589,001</u>	<u>574,633</u>
NET DEBT	(383,054)	(370,323)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 10)	387,033	375,230
Inventories	16,671	14,210
Prepaid expenses	3,152	3,150
Prepaid lease payments	3,690	4,042
	<u>410,546</u>	<u>396,632</u>
ACCUMULATED SURPLUS		
Accumulated operating surplus	19,485	19,064
Accumulated remeasurement gains	8,007	7,245
	<u>27,492</u>	<u>26,309</u>

Commitments, contingent liabilities, contractual rights, contingent assets and significant events (notes 11, 12, 13, 14 and 24).

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

Approved on behalf of the Board:

 Catherine Holt, Chair May 28, 2020	 Blair Redlin, Director May 28, 2020
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BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(In thousands of dollars)

Year ended March 31, 2020, with comparative figures for March 31, 2019

	Budget 2020 (note 17)	March 31, 2020	March 31, 2019
REVENUE	\$	\$	\$
Operations	81,104	83,396	80,759
Government transfers:			
Provincial (note 15)	117,889	108,078	114,888
Local government (note 15)	113,572	108,589	97,263
Deferred capital contributions (note 7)	34,672	35,738	33,928
Investment and other income	5,663	7,732	3,987
	<u>352,900</u>	<u>343,533</u>	<u>330,825</u>
EXPENSES (note 16)			
Operations	252,242	244,587	241,715
Maintenance	68,610	66,088	55,607
Administration	32,048	32,741	30,370
	<u>352,900</u>	<u>343,416</u>	<u>327,692</u>
NET SURPLUS from operations	-	117	3,133
OTHER			
Disposal of capital assets			
Loss on disposal of capital assets	-	(1,322)	(281)
Other capital recoveries	-	495	233
Contributions for land purchase (note 15)	-	819	2,942
Gain on investments	-	348	18
Other expense	-	(36)	(29)
	-	304	2,883
ANNUAL SURPLUS	-	421	6,016
Accumulated operating surplus, beginning of year	19,064	19,064	13,048
Accumulated operating surplus, end of year	19,064	19,485	19,064

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, 2020, with comparative figures for March 31, 2019

	Budget 2020	March 31, 2020	March 31, 2019
	Note 17		
	\$	\$	\$
Surplus for the year	-	421	6,016
Acquisition of tangible capital assets	(193,437)	(72,919)	(84,448)
Amortization of tangible capital assets	58,561	59,794	60,075
Disposal of tangible capital assets	-	1,322	281
	(134,876)	(11,382)	(18,076)
Acquisition of inventories of parts	-	(29,259)	(32,852)
Consumption of inventories of parts	-	26,798	27,650
Acquisition of prepaid expenses	-	(10,185)	(10,291)
Consumption of prepaid expenses	-	10,183	9,572
Consumption of prepaid leases	-	352	384
	-	(2,111)	(5,537)
Realized gain reclassified to operations	-	(348)	(18)
Gain on portfolio investment	-	1,110	1,226
	-	762	1,208
Increase in net debt	(134,876)	(12,731)	(22,405)
Net debt, beginning of year	(370,323)	(370,323)	(347,918)
Net debt, end of year	(505,199)	(383,054)	(370,323)

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Remeasurement Gains
(In thousands of dollars)

Year ended March 31, 2020, with comparative figures for March 31, 2019

	March 31, 2020	March 31, 2019
	\$	\$
Accumulated remeasurement gains, beginning of year	7,245	6,037
Unrealized gain on investments	1,110	1,226
Realized gain on investments, reclassified to Consolidated Statement of Operations	(348)	(18)
Accumulated remeasurement gains, end of year	8,007	7,245

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2020, with comparative figures for March 31, 2019

	March 31, 2020	March 31, 2019
Cash provided by (used for):	\$	\$
Operating transactions		
Annual surplus	421	6,016
Non-cash charges to operations (note 18)	24,657	26,596
Changes in non-cash operating working capital (note 18)	15,594	(1,579)
Cash provided by operating transactions	40,672	31,033
Capital transactions		
Proceeds on disposal of tangible capital assets	81	118
Acquisition of tangible capital assets	(72,049)	(76,759)
Cash used for capital transactions	(71,968)	(76,641)
Investing transactions		
Purchase of debt sinking funds and investments	(8,355)	(9,856)
Redemption of debt sinking funds and investments	2,180	10,150
Cash (used for) provided by investing transactions	(6,175)	294
Financing transactions		
Debt repaid	(1,828)	(11,200)
Deferred capital contributions received	50,585	61,046
Cash provided by financing transactions	48,757	49,846
Increase in cash and cash equivalents	11,286	4,532
Cash and cash equivalents, beginning of year	17,556	13,024
Cash and cash equivalents, end of year	28,842	17,556
Supplemental cash flow information:		
Cash paid for interest	8,586	9,106
Cash received from interest	901	387

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, 2020, with comparative figures for March 31, 2019

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 ("VRTC"), is responsible for the administration of all funds raised by certain tax levies. These funds are recorded as a liability and summarized in note 6.

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 contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset to be recorded as a deferred contribution, and recognized into revenue in the year in which the stipulation or restriction on the contributions has been met by BC Transit. This results in differences in deferred capital contributions and accumulated operating surplus on the consolidated statement of financial position, and the government transfers revenue and annual surplus on the consolidated statement of operations. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in Note 21.

(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, 2020, with comparative figures for March 31, 2019

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, amortization, 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 operations 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. Transit passes purchased in advance of services being performed are deferred and recognized in the month the service is delivered.

(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, 2020, with comparative figures for March 31, 2019

2. Summary of Significant Accounting Policies (continued)

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

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the consolidated 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 2 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 consolidated statement of operations.

(iii) Debt sinking funds

Investments in sinking funds consist of 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.

(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 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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

2. Summary of Significant Accounting Policies (continued)

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, 2019, then extrapolated to March 31, 2020.

(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, 2020, 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 – including major components	5 – 40
Vehicles – including major components	2 – 20
Other equipment	3 – 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, 2020, with comparative figures for March 31, 2019

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) *Intangible assets*

Intangible assets are not recognized in BC Transit's consolidated 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 including contingent 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:

- (i) In March 2018, PSAB issued PS 3280, Asset Retirement Obligations. PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. The main features of PS 3280 are as follows:
- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
 - Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
 - Asset retirement costs associated with an asset no longer in productive use are expensed.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

2. Summary of Significant Accounting Policies (continued)

- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.
- Asset retirement obligations include post-retirement operation, maintenance and monitoring.
- A present value technique is often the best method with which to estimate the liability.

PS 3280 applies to fiscal years beginning on or after April 1, 2021. Management is in the process of assessing the impact of adoption of PS 3280 on the consolidated financial statements of BC Transit.

- (ii) In June 2018, PSAB issued PS 3400 Revenue. PS 3400 proposes a framework describing two categories of revenue – transactions with performance obligations and transactions with no performance obligations. PS 3400 applies to fiscal years beginning on or after April 1, 2022. Management is in the process of assessing the impact of adoption of PS3400 on the consolidated financial statements of the BC Transit.

3. Revision of Comparative Figures

The following revisions have been made to the comparative figures:

1. Management has adjusted the comparative figures relating to an error identified in the calculation of interest during construction in prior periods.
2. The Victoria Regional Transit Commission approved revised terms, requiring their Transit Fund to be presented as a liability to BC Transit. Comparative figures have been revised to align with the current year presentation.

The revisions made are noted in the table below:

Consolidated statement of financial position:

	As previously reported	Change	March 31, 2019 Revised
	\$	\$	\$
Cash and cash equivalents	11,167	6,389	17,556
Deferred revenue and contributions	84,737	2,932	87,669
Deferred capital contributions	262,662	(3,054)	259,608
Tangible capital assets	381,741	(6,511)	375,230

Consolidated statement of operations:

	As previously reported	Change	March 31, 2019 Revised
	\$	\$	\$
Local government revenue	97,742	(479)	97,263
Deferred capital contributions	34,421	(493)	33,928
Operations expense	242,546	(831)	241,715
Maintenance expense	55,699	(92)	55,607
Administration expense	30,419	(49)	30,370

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

4. Cash and Cash Equivalents

Major components of cash and cash equivalents comprise the following:

	2020	2019
	\$	\$
Cash	8,594	17,534
Cash equivalents	20,248	22
Cash and cash equivalents	28,842	17,556

5. Accounts Receivable

Accounts receivable comprise the following:

	2020	2019
	\$	\$
Provincial:		
Operating	3,521	11,156
Capital grants	19,494	21,670
	23,015	32,826
Federal capital grants	20,537	25,243
Local governments	14,081	15,531
Trade and other	9,422	10,389
	67,055	83,989

6. Deferred Revenue and Contributions

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

Deferred contributions are recovered from government funding partners, these relate to the operating costs and capital cost of assets required to provide transit service. Differences between contributions received and costs incurred are deferred and used to fund transit services in future periods.

Deferred Victoria Transit funds are held on behalf of the VRTC. These funds are restricted for the use of funding transit in the Capital Regional District. Inflows to the VRTC fund include property taxes, gas tax and interest. Outflows are in the form of municipal billings and occur on a monthly basis.

Deferred sales represent transit fees received in advance of services being performed, these are recognized as revenue over the period the service is performed.

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

	2020	2019
	\$	\$
Deferred service funding contributions	23,965	45,769
Deferred contributions	46,533	34,947
Deferred Victoria Transit Fund	17,080	6,389
Deferred sales	596	564
Total deferred revenue and contributions	88,174	87,669

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

6. Deferred Revenue and Contributions (continued)

Continuity of deferred service funding, contributions and revenue:

	2020	2019
Deferred service funding contributions:	\$	\$
Balance, beginning of year	45,769	43,337
Service funding contributions received	69,609	69,163
Service funding contributions applied	(91,413)	(66,731)
Balance, end of year	23,965	45,769
Deferred contributions:		
Balance, beginning of year	34,947	25,549
Contributions received	39,910	41,500
Contributions used	(28,324)	(32,102)
Balance, end of year	46,533	34,947
Deferred Victoria Transit Fund		
Balance, beginning of year	6,389	3,760
Revenue fuel tax received	19,421	20,446
Revenue property tax received	31,753	28,863
Investment and other income received	285	80
Transfer from deferred service funding	9,434	-
Government transfers	(50,202)	(46,760)
Balance, end of year	17,080	6,389
Deferred sales		
Balance, beginning of year	564	609
Amounts received	1,362	1,355
Amounts recognized as revenue	(1,330)	(1,400)
Balance, end of year	596	564
Balance, end of year	88,174	87,669

7. Deferred Capital Contributions

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

	2020	2019
	\$	\$
Balance, beginning of year	259,608	232,605
Contributions	50,585	61,046
Impairment and disposals of capital assets	(644)	(115)
Amortization	(35,738)	(33,928)
Balance, end of year	273,811	259,608

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

8. 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:

	2020	2019
Debt has a weighted average rate of 5.08%, maturing at various dates to 2040, amortized from 9 to 30 years	\$167,051	\$168,879

The total debt principle and interest payments for the next five years are as follows:

	\$
2021	26,352
2022	22,445
2023	28,736
2024	5,436
2025	4,911
Thereafter	134,801

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes \$348 (2019 - \$18) 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:

	2020		2019	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Provincial bonds	81,807	89,774	93,320	100,513
Money market funds	18,797	18,797	166	166
Corporate bonds	1,439	1,479	2,034	2,086
Total	102,043	110,050	95,520	102,765

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

	\$
2021	4,279
2022	3,971
2023	3,766
2024	3,456
2025	3,433
Thereafter	14,328

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Notes to Consolidated Financial Statements
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8. Debt (continued)

In April 2017, BC Transit entered into an unsecured revolving credit facility with a Canadian financial institution totalling \$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, 2020, 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, 2020, BC Transit has not drawn on the facility.

9. 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:

	2020	2019
Accrued benefit liability:	\$	\$
Balance, beginning of year	22,083	21,022
Current benefit cost and event-driven expense	547	1,244
Interest	405	459
Amortization of actuarial gain	(478)	(298)
Benefits paid	(373)	(344)
Balance, end of year	22,184	22,083
Unamortized actuarial gain	(6,462)	(5,183)
Obligation for benefits	15,722	16,900

The employee future benefits liability reported on the consolidated statement of financial position comprises:

	2020	2019
	\$	\$
Non-pension post-retirement benefits	12,865	13,774
Post-employment benefits	904	859
Continuation of long-term disability benefits	1,953	2,267
Total obligation for benefits	15,722	16,900
Unamortized actuarial gain	6,462	5,183
Employee future benefit liability	22,184	22,083

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 10 years (2019 – 10 years) for post-employment benefits and 10 years (2019 – 10 years) for post-retirement benefits.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

9. Employee Future Benefit Obligations (continued)

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

	2020	2019
Discount rate	2.3% - 2.9%	2.7% - 2.9%
Assumed future salary increases	2.6% - 5.15%	2.60% - 5.15%
Weighted average health care trend - end of year	6.45% in 2020 grading to 3.76% in and after 2040	6.58% in 2019 grading to 3.76% in and after 2040
Dental and MSP trend - end of year	4.0%	4.0%

Public Service Pension Plan

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly-trusteed 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 133,000 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, 2020, for employer contributions was \$6,234 (2019 – \$5,736).

10. Tangible Capital Assets

Cost	Balance, March 31,	Additions	Disposals	Transfers	Balance, March 31,
	2019				2020
	\$	\$	\$	\$	\$
Land	25,889	-	-	2,961	28,850
Exchanges, shelters and other transit infrastructure	66,880	-	-	1,172	68,052
Buildings	55,177	-	-	34,712	89,889
Vehicles	527,266	-	(34,572)	28,407	521,101
Other equipment	67,601	-	-	16,513	84,114
Capital projects in progress	38,383	72,919	(512)	(83,765)	27,025
Total	781,196	72,919	(35,084)	-	819,031

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

10. Tangible Capital Assets (continued)

	Balance, March 31, 2019	Disposals	Amortization	Transfers	Balance, March 31, 2020
	\$	\$	\$	\$	\$
Accumulated amortization					
Exchanges, shelters and other transit infrastructure	25,917	-	5,227	-	31,144
Buildings	29,785	-	2,173	-	31,958
Vehicles	301,294	(33,762)	45,994	-	313,526
Other equipment	48,970	-	6,400	-	55,370
Capital projects in progress	-	-	-	-	-
Total	405,966	(33,762)	59,794	-	431,998

	Balance, March 31, 2019	Balance, March 31, 2020
	\$	\$
Net book value		
Land	25,889	28,850
Exchanges, shelters and other transit infrastructure	40,963	36,908
Buildings	25,392	57,931
Vehicles	225,972	207,575
Other equipment	18,631	28,744
Capital projects in progress	38,383	27,025
Total	375,230	387,033

	Balance, March 31, 2018	Additions	Disposals	Transfers	Balance, March 31, 2019
	\$	\$	\$	\$	\$
Cost					
Land	25,294	-	-	595	25,889
Exchanges, shelters and other transit infrastructure	64,171	-	-	2,709	66,880
Buildings	55,309	-	-	(132)	55,177
Vehicles	490,884	-	(35,010)	71,392	527,266
Other equipment	57,707	-	-	9,894	67,601
Capital projects in progress	38,397	84,447	(3)	(84,458)	38,383
Total	731,762	84,447	(35,013)	-	781,196

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

10. Tangible Capital Assets (continued)

	Balance, March 31, 2018	Disposals	Amortization	Transfers	Balance, March 31, 2019
Accumulated amortization	\$	\$	\$	\$	\$
Exchanges, shelters and other transit infrastructure	20,793	-	5,124	-	25,917
Buildings	27,889	-	1,896	-	29,785
Vehicles	288,867	(34,733)	47,160	-	301,294
Other equipment	43,075	-	5,895	-	48,970
Capital projects in progress	-	-	-	-	-
Total	380,624	(34,733)	60,075	-	405,966

	Balance, March 31, 2018	Balance, March 31, 2019
Net book value	\$	\$
Land	25,294	25,889
Exchanges, shelters and other transit infrastructure	43,378	40,963
Buildings	27,420	25,392
Vehicles	202,017	225,972
Other equipment	14,632	18,631
Capital projects in progress	38,397	38,383
Total	351,138	375,230

Assets under construction having a value of \$27,025 (2019 - \$38,383) 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 \$1,322 (2019 - \$281) were written off. Interest capitalized for capital projects in 2020 was \$nil (2019 - \$nil).

11. Commitments

BC Transit has outstanding commitments as summarized below:

	2021	2022	2023	2024	2025
	\$	\$	\$	\$	\$
Operating leases	1,711	1,486	1,441	1,075	973
Facilities	12,358	208	-	-	-
Vehicle purchases	60,186	20,413	-	-	-
Operating contracts	5,917	5,752	5,883	6,025	6,170
Total	80,172	27,859	7,324	7,100	7,143

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year Ended March 31, 2020, with comparative figures for March 31, 2019

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, 2020, 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, 2020, there were seven letters of credit outstanding for a total amount of \$3,184, none of which have been drawn upon.

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 to March 31, 2021 through a three-year operating program contribution agreement for \$115,296.
- 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 \$3,912 and provincial funding of up to \$2,509 for future fiscal years to fund eligible expenditures incurred to March 31, 2021, 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 \$90,463 and provincial funding of up to \$85,174 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, 2020 (2019 - \$nil).

BRITISH COLUMBIA TRANSITNotes to Consolidated Financial Statements
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15. Government Transfers

The transfers reported on the consolidated statement of operations are:

	2020	2019
	\$	\$
Government transfers:		
Provincial contributions:		
Operating transfers	108,078	114,888
Deferred capital contributions	25,018	25,721
Write-off of capital assets	644	115
Contributions for land purchase	819	440
	134,559	141,164
Federal contributions:		
Deferred capital contributions	9,566	6,992
Write-off of capital assets	58	-
	9,624	6,992
Local government contributions:		
Transfers under cost share agreements	108,589	97,263
Deferred capital contributions	912	967
Contributions for land purchase	-	2,502
	109,501	100,732
Other:		
Deferred capital contributions	242	248
Total government transfers	253,926	249,136

16. Classification of Expense By Object

	Budget	2020	2019
	\$	\$	\$
Contracted management fees, wages and benefits	105,403	105,897	99,380
Salaries, wages and benefits	88,190	87,501	80,576
Amortization of capital assets	58,561	59,794	60,075
Fuel and lubricants	31,666	26,149	26,515
Fleet maintenance	24,365	21,410	18,322
Interest	9,473	8,586	9,106
Insurance	6,618	6,542	6,317
Facility maintenance	5,699	5,293	4,816
Information systems	5,353	4,772	4,168
Leases and taxes	4,897	4,754	4,062
Major projects and initiatives	470	259	3,549
Corporate expenses	2,809	2,973	2,539
Local government expenses	2,352	2,352	2,273
Marketing and communications	2,290	2,172	2,117
Taxi programs	2,081	2,285	1,793
Contracted and professional fees	1,552	1,684	1,257
Travel and meetings	1,121	993	827
Total operating expenses	352,900	343,416	327,692

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

17. Budget Data

The budget data presented in these consolidated financial statements was included in the 2019/20-2021/22 Service Plan approved by the Board of Directors on January 31, 2019, and by the Government of British Columbia on February 18, 2019.

18. Additional Information For the Statement of Cash Flows

	2020	2019
Non-cash charges to operations:	\$	\$
Amortization of debt discount	-	35
Amortization of tangible capital assets	59,794	60,075
Amortization of prepaid lease	352	384
Gain on the disposal of debt sinking funds	(348)	(18)
Loss on the disposal of tangible capital assets	597	48
Amortization of deferred capital contributions	(35,738)	(33,928)
	<u>24,657</u>	<u>26,596</u>
Changes in non-cash operating working capital:		
Accounts receivable	16,934	(15,903)
Accounts payable and accrued liabilities	461	12,790
Provincial revenue and funding payable	926	(332)
Deferred revenue and contributions	505	14,415
Employee future benefits	101	1,061
Inventories of parts	(2,461)	(5,202)
Prepaid expenses	(2)	(719)
Net change in accrued acquisition of tangible capital assets	(870)	(7,689)
	<u>15,594</u>	<u>(1,579)</u>

19. Financial Instruments

(a) Fair Value

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximates their fair value due to the relatively short periods to maturity of the instruments. Debt sinking funds are reflected on the consolidated 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 operating expenses, 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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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19. Financial Instruments (continued)

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 comprises 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.

Sensitivity Analysis

The following table is a sensitivity analysis indicating the impact on annual surplus 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	226
Foreign exchange risk	519
Commodity risk (fuel)	267

BRITISH COLUMBIA TRANSIT

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(In thousands of dollars)

Year Ended March 31, 2020, with comparative figures for March 31, 2019

19. Financial Instruments (continued)

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 8. 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, accounts receivable 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 and collectability of accounts receivable.

(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 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.

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 these consolidated 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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year Ended March 31, 2020, with comparative figures for March 31, 2019

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 allow for contributions externally restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset to be recorded as a deferred contribution, and recognized into revenue in the year in which the stipulation or restriction on the contributions has been met by BC Transit, 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, 2020, a decrease in deferred capital contributions by \$274,041 (2019 – \$259,608), and an increase in accumulated surplus by \$274,041 (2019 – \$259,608).

For the year ended March 31, 2020, an increase in annual surplus by \$14,433 (2019 – increase by \$27,003).

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, continue to be settled in an orderly manner and BC Transit will continue to monitor these claims. \$1,828 (2019 - \$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. Significant Events

In March 2020, the World Health Organization declared a global pandemic related to the coronavirus disease known as COVID-19. The impacts to the economy are expected to be far reaching. BC Transit has been impacted with decreased ridership and temporary cancellation of fare collection starting on March 19, 2020.

The impacts to BC Transit are being assessed, but the nature and amount are still to be determined.

Appendix A: Additional Information

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 Strategic Plan can be found at:

<https://bctransit.com/transforming-your-journey>

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>

Contact Information

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

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.