

# BC Transit

## 2016/17 ANNUAL SERVICE PLAN REPORT



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## **Board Chair's Accountability Statement**

The *BC Transit 2016/17 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2016/17 - 2018/19 Service Plan*. I am accountable for those results as reported.



Frank Carson  
Board Chair

**Table of Contents**

Board Chair's Accountability Statement ..... 3

Chair/CEO Report Letter ..... 5

Purpose of the Organization..... 6

Strategic Direction and Context..... 6

Report on Performance ..... 7

    Goals, Strategies, Measures and Targets ..... 7

Financial Report..... 16

    Discussion of Results ..... 17

    Auditor's Report ..... 18

    Audited Financial Statements ..... 20

    Major Capital Projects ..... 48

Appendix A – Subsidiaries and Operating Segments ..... 49

    Active Subsidiaries ..... 49

    Inactive Subsidiaries ..... 49

    Operating Segments ..... 49

Appendix B – Additional Information ..... 50

    Corporate Governance ..... 50

    Organizational Overview ..... 50

    Contact Information ..... 51

    Performance Measure Definitions ..... 51

Appendix C – Crown Corporations Mandate and Actions Summary..... 53

## Chair/CEO Report Letter

In 2016/17, BC Transit continued to incorporate the Taxpayer Accountability Principles into its organizational practices and procedures. This letter describing BC Transit's performance with respect to those expectations established in *BC Transit's 2016/17 Mandate Letter* for operating under the Taxpayer Accountability Principles represents BC Transit's accountability requirement as described in Taxpayer Accountability Principles Action Item 5. (For a summary of BC Transit's actions in response to the direction on strategic priorities for the 2016/17 fiscal year received in the 2016/17 Mandate Letter please see Appendix C.)

BC Transit's strategic engagement with the Ministry during 2016/17, as established in Taxpayer Accountability Principles Action Item 8, included meetings between the President/Chief Executive Officer and the Deputy Minister as well as regular consultations at the staff level throughout the year, beginning with the development of the *BC Transit 2016/17 – 2018/19 Service Plan*. This engagement enabled BC Transit to work more effectively with the Ministry while increasing the Ministry's ability to hold BC Transit accountable for the outcomes and measures identified.

In accordance with Taxpayer Accountability Principle Action Item 9, BC Transit provided orientation and training in 2016/17 for its Board members. New Board member orientation was provided to Board Chair Frank Carson in July 2016. In December 2016, at the invitation of the Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service, the Board Chair and a second Board member, Carol Leclerc, participated in a Board of Directors Professional Development training session provided by the Ministry of Finance. Finally, the Board Chair also participated in a Risk Communications training session provided by the Institute of Corporate Directors in March 2017.

We are accountable for BC Transit's performance with respect to those expectations established in *BC Transit's 2016/17 Mandate Letter* for operating under the Taxpayer Accountability Principles.



Frank Carson  
Board Chair



Manuel Achadinha  
President and Chief Executive Officer

## 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 1.77 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.—as outlined in the [Taxpayer Accountability Principles](#).

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 transit management company. Under this partnership model, BC Transit provides a variety of shared services available for all transit systems. BC Transit's collaborative, shared-services partnership model offers value by maximizing efficiency through the use of "common resources," specialization and standardization.

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 and through a partnership of local government and the Province through BC Transit. Information about BC Transit's Corporate Governance is provided in Appendix B.

## Strategic Direction and Context

BC Transit's strategic direction was defined in its [2016/17 Mandate Letter](#) and includes the B.C. Taxpayer Accountability Principles. As detailed in Appendix C, in order to meet the requirements of its mandate, BC Transit:

- Continued actions and activities, in collaboration with its local government partners, that assisted the Ministry in ensuring that existing levels of transit services were maintained, achieved the goals and objectives of *B.C. on the Move*, and identified opportunities for expansion, particularly for handyDART, subject to Ministry fiscal funding allocations and local government affordability;
- Developed a strategy that identifies opportunities to deploy Compressed Natural Gas (CNG) buses in communities throughout the province and to implement other green initiatives, for approval by the Minister, to reduce Greenhouse Gas (GHG) emissions and help to achieve goals identified by [BC's Climate Leadership Plan](#);
- Continued to undertake business evaluations to gain cost saving efficiencies and to expand ridership and revenue opportunities;
- Continued to align performance measures and targets which aided in achievement of the goals and strategies documented in its [2016/17 - 2018/19 Service Plan](#);
- Shared a three-year annual operating budget and a ten-year capital budget with the Ministry and worked with the Ministry throughout the year to ensure that financial targets were achieved, identified reporting requirements were met, quarterly forecasts were accurately reported, and 2016/17 expenditures did not exceed budget;

- Implemented recommendations from the Ministry of Finance Crown Agency Review, as directed by the Minister through discussion with the BC Transit Board; and
- Continued to incorporate the Taxpayer Accountability Principles into its organizational practices and procedures.

Over the past year, BC Transit worked with local partners to implement handyDART service expansion in Kamloops, Kelowna and Victoria and began preparations, including for bus acquisition and facility improvements, for anticipated service expansion in 2017/18. BC Transit also began efforts to implement inter-community bus service on Highway 16, from Prince George to Terrace, with the first service linking the communities of Smithers and Moricetown beginning in January 2017. BC Transit continued to focus on maximizing the efficiency of its core service with resources optimized and reallocated as appropriate to meet changing customer expectations.

BC Transit continued the process of partnering with local communities to replace a substantial portion of its provincial fleet of buses including continuation of an extensive right-sizing effort to ensure that replacement vehicles are appropriately sized and apportioned to meet ridership needs throughout the province. BC Transit also expanded the deployment of Compressed Natural Gas (CNG) buses in Nanaimo, introduced CNG buses in Kamloops, and worked to ensure that adequate infrastructure and service facilities will be in place throughout the province to support anticipated additional deployment of CNG buses. In addition, approval of the Smart Bus program in 2016/17 will enable BC Transit to improve analytical and reporting capabilities and provide a more robust customer experience through the provision of real-time technology in several communities across the province.

## Report on Performance

BC Transit's performance in 2016/17 was conducted in accordance with the specific accountabilities prescribed in *BC Transit's 2016/17 Mandate Letter*, which includes the Taxpayer Accountability Principles. Specifically, in accordance with Taxpayer Accountability Principles Action Item 7, BC Transit continued to work with the Ministry during the 2016/17 service planning process to develop a plan for evaluating BC Transit's health and performance against the Taxpayer Accountability Principles. The specific efficiency and performance measures to be used as determinants of BC Transit's health and performance against the Taxpayer Accountability Principles are captured in the *BC Transit 2016/17 – 2018/19 Service Plan* and are reported on in detail below.

## Goals, Strategies, Measures and Targets

This performance report highlights BC Transit's results achieved for the fiscal year ending March 31, 2017. The five goals presented in this section are unchanged from the previous Annual Service Plan Report and the *BC Transit 2016/17-2018/19 Service Plan*. These goals were first published in [Shaping our Future](#), BC Transit's strategic plan. See Appendix B for a complete listing of the performance measures as well as definitions and calculation methodologies for these measures.

### ***Goal 1: Develop Financial Sustainability***

Sustainable long-term revenue sources are fundamental to the ability of BC Transit to deliver on its mandate now and into the future. Since more than two-thirds of total revenues come from provincial and local government sources, the viability of transit services is directly linked to financial support from these levels of government. Demonstrating cost-effective use of public funding (as demonstrated through operating and administrative efficiency), will assist in maintaining government funding support.

## Strategies

The strategic intent is to ensure a sustainable and affordable public transportation system by:

- Providing effective transit services that are used by the public;
- Renewing and revising fare-based revenue sources and collection systems to reflect changing ridership patterns and reduce fare evasion and increase revenue;
- Developing and taking advantage of non-fare-based revenue opportunities; and
- Improving cost control, communication and monitoring processes to mitigate cost volatility, maximize efficiency, and reduce costs.

### Performance Measure 1.1: Optimize Service Effectiveness

Passenger trips per service hour measures the effectiveness of, and the demand for, the transit services being provided. Increased passenger utilization of services provided results in an increase in passenger trips per service hour.

| Performance Measure*                          | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Conventional passenger trips per service hour | N/A               | 27.6              | 27.5              | 27.3              | 27.8              | 27.3              | 27.3              |
| Custom passenger trips per service hour       | N/A               | 4.1               | 4.1               | 4.1               | 4.0               | 4.0               | 4.0               |

Data Source: BC Transit internal tracking data.

\* These are measures introduced in the *BC Transit 2014/15 - 2016/17 Service Plan* to demonstrate the effectiveness of BC Transit's services as reflected by passengers per service hour. Accordingly, results for 2013/14 are not available to be reported.

Discussion: *Target met.* Conventional passenger trips per service hour exceeded target with increases in passenger trips. Custom passenger trips per service hour slightly below target with introduction of new handyDART services and time required for public uptake of new services.

### Performance Measure 1.2: Increase Revenue

Operating cost recovery measures the self-sufficiency and financial performance of the transit system. A strong level of cost recovery is desirable, as it reduces the subsidy from taxpayers.

| Performance Measure                  | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Conventional operating cost recovery | 36.2%             | 35.1%             | 36.1%             | 33.1%             | 37.4%             | 32.8%             | 32.3%             |
| Custom operating cost recovery       | 10.0%             | 9.6%              | 9.1%              | 8.7%              | 9.1%              | 8.1%              | 8.0%              |

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

Discussion: *Target met.* Conventional operating cost recovery was better than target due to lower fuel prices and operating efficiencies as well as higher passenger revenues. Custom operating cost recovery was better than target due to lower fuel prices.



**Performance Measure 1.3: Increase Cost Efficiency**

Operating cost per passenger trip measures the efficiency of providing transit service. Increasing cost per passenger indicates that costs are growing at a faster rate than ridership.

| Performance Measure                            | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Target | 2016/17 Actual | 2017/18 Target | 2018/19 Target |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Conventional operating cost per passenger trip | \$3.73         | \$3.84         | \$3.76         | \$4.09         | \$3.79         | \$4.23         | \$4.26         |
| Custom operating cost per passenger trip       | \$15.21        | \$15.77        | \$16.36        | \$17.28        | \$16.77        | \$18.62        | \$18.94        |

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

Discussion: *Target met.* Conventional operating cost per passenger trip exceeded target due to lower fuel prices and operating efficiencies, combined with higher passenger trips. Custom operating cost per passenger trip was better than target due to lower fuel prices.

**Goal 2: Support and Shape Livable Communities**

BC Transit supports the development of livable communities by encouraging community planning and investments that make it easier to get around by walking, cycling and transit. Greater integration between land use and transit enables greener, more sustainable communities, allows people to reduce reliance on automobiles if they choose and also improves the efficiency of transit services and related infrastructure.

**Strategies**

Plan for effective, sustainable public transportation by:

- Increasing integration with other types of sustainable travel and work with partners to influence land use development patterns that encourage walking, cycling, and increase the effectiveness of transit;
- Identifying and establish priority transit corridors; and,
- Reviewing services on an ongoing basis and making recommendations for improvement.

**Performance Measure 2.1: Promote Planning and Integration**

The percentage of communities that have had a service optimization review completed in the past five years measures the effectiveness of BC Transit's efforts to provide local partners with timely reviews and recommendations to increase transit system efficiency and effectiveness.

| Performance Measure*  | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Target | 2016/17 Actual | 2017/18 Target | 2018/19 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Percentage of communities with service optimization review completed in past five years | N/A            | 93%            | 95%            | 85%            | 93%            | 85%            | 85%            |

Data Source: BC Transit internal tracking data.

\* This is a new measure introduced in the *BC Transit 2014/15 - 2016/17 Service Plan* to demonstrate the effectiveness of BC Transit's ability to provide timely planning expertise and evidence-based recommendations to communities with regards to their transit systems. Accordingly, results for 2012/13 and 2013/14 are not available to be reported.

Discussion: *Target met.* The proportion of communities with service optimization reviews completed in the past five years included the 2016/17 completion of reports for Victoria Region, Whistler, Sunshine Coast, Highway 16 communities, Shushwap, Okanagan-Similkameen Region, Prince George, Kelowna Region, Nanaimo Region, Vernon, North Okanagan, Mount Waddington, Merritt, Clearwater, Kootenay Boundary, Kimberley, Kamloops, Dawson Creek, Creston Valley, Cowichan Valley, Comox, Chilliwack, Campbell River and Agassiz-Harrison (Hope).

**Goal 3: Change the Perception of Transit**

To keep existing customers and attract new ones, BC Transit must market its services in competition with private automobiles and reach out to customers in new ways, such as through social media. To help build livable communities, BC Transit must connect with various community and stakeholder groups to build awareness of, and support for, public transportation as an important part of creating sustainable, green communities.

**Strategies**

Build increased support for public transit by:

- Promoting sustainable transportation and its role in building sustainable, livable communities; and,
- Building awareness of BC Transit's services and roles as a transportation leader.

**Performance Measure 3.1: Maintain Service Delivery**

Customer Satisfaction measures the effectiveness of BC Transit in meeting customer expectations for service delivery.

| Performance Measure   | 2013/14 Actual | 2014/15 Actual | 2015/16 Actual | 2016/17 Target | 2016/17 Actual | 2017/18 Target | 2018/19 Target |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Customer satisfaction (on scale of 1, "very poor," to 5, "excellent") | 3.68           | 3.68           | 3.72           | 3.55           | 3.50           | 3.65           | 3.69           |

Data Source: Annual customer survey, conducted by a third party research firm.<sup>1</sup>

Discussion: *Target not met.* Customer satisfaction, a measure of the effectiveness of BC Transit in meeting customer expectations, did not meet the target in 2016/17. As noted in the *BC Transit 2016/17 – 2018/19 Service Plan*, the customer satisfaction survey methodology changed with the implementation of a new contract for survey services in 2016/17, including improvements in access to the intended survey population, which have impacted survey results and will require the setting of new baseline targets in the next Service Plan.

**Performance Measure 3.2: Enhance Information Effectiveness**

Online communication strategy effectiveness measures customers' perception of BC Transit's online communication. This measure tracks the quality, value and effectiveness of information online including BC Transit's corporate website and social media efforts.

<sup>1</sup> Note that the customer satisfaction survey methodology changed with the implementation of a new contract for survey services in 2016/17, including improvements in access to the intended survey population, which have impacted survey results and will require the setting of new baseline targets in the next Service Plan.

| Performance Measure*  | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Online communication strategy effectiveness (on scale of 1, "very poor," to 5, "excellent") | N/A               | 3.85              | 3.83              | 3.82              | 3.70              | 3.85              | 3.87              |

Data Source: Annual customer survey, conducted by a third party research firm.<sup>2</sup>

\* This is a new measure introduced in the *BC Transit 2014/15 - 2016/17 Service Plan* to demonstrate the effectiveness of information provided online. Accordingly, results for 2012/13 and 2013/14 have not been reported.

Discussion: *Target not met.* Customer perception of the quality, value and effectiveness of BC Transit's online information was below target for 2016/17. Although BC Transit has an improved internet site and continued growth of its social media channels and expanded use of its Trip Planner, the results reflect society's increased expectations in general for more, faster, easier to use online services.

### Performance Measure 3.3: Build Awareness

Brand recognition measures the effectiveness of building awareness of BC Transit through marketing and communication programs which highlight BC Transit's leadership role in providing sustainable transportation services to British Columbians.

| Performance Measure | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Brand recognition   | 28%               | 30%               | 29%               | 28%               | 53%               | 29%               | 30%               |

Data Source: Annual customer survey, conducted by a third party research firm.<sup>3</sup>

Discussion: *Target met.* The level of brand recognition substantially exceeded the 2016/17 target. As noted in the *BC Transit 2016/17 – 2018/19 Service Plan*, the brand recognition survey methodology changed with the implementation of a new contract for survey services in 2016/17, including improvements in access to the intended survey population, which have impacted survey results and will require the setting of new baseline targets in the next Service Plan.

### Goal 4: Deliver Operational Excellence

The BC Transit business model is based on developing and delivering safe, reliable and easy to use services that continuously improve through active engagement with employees, customers and partners. Transit services must continuously adapt and improve to meet the needs and preferences of society, especially in the midst of continuing change in social, technological and community development.

<sup>2</sup> Note that the online communication strategy effectiveness survey methodology changed with the implementation of a new contract for survey services in 2016/17, including improvements in access to the intended survey population, which have impacted survey results and will require the setting of new baseline targets in the next Service Plan.

<sup>3</sup> Note that the brand recognition survey methodology changed with the implementation of a new contract for survey services in 2016/17, including improvements in access to the intended survey population, which have impacted survey results and will require the setting of new baseline targets in the next Service Plan.

## Strategies

Deliver a safe, reliable and affordable transit experience by:

- Providing accessible service;
- Ensuring the safety of employees and customers;
- Monitoring and addressing transit system reliability and on-time performance; and,
- Improving customer service and ensuring an effective transit system.

### Performance Measure 4.1: Expand Accessibility

Service hours per capita is a measure of accessibility to transit based on the level of investment and provision of transit service relative to the population within a reasonable distance of transit routes.

| Performance Measure*                  | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Conventional service hours per capita | N/A               | 1.44              | 1.43              | 1.44              | 1.44              | 1.45              | 1.49              |
| Custom service hours per capita       | N/A               | 0.25              | 0.25              | 0.26              | 0.25              | 0.26              | 0.26              |

Data Source: BC Transit internal tracking data.

\* These are measures introduced in the *BC Transit 2014/15 - 2016/17 Service Plan* to demonstrate how much service is provided to the population that lives within a reasonable distance of service routes. Accordingly, results for 2013/14 are not available to be reported.

Discussion: *Target partially met.* Conventional service hours per capita were on target. Custom service hours per capita was slightly below target due to fewer service hours than budget.

### Performance Measure 4.2 and 4.3: Ensure Safety

The number of passenger injury claims per million passenger trips measures passenger safety with respect to travel-related injuries.<sup>4</sup> This measure is influenced by an aging population (including an expected increase in the percentage of passengers who are seniors as BC Transit works to transition traditional custom passengers to conventional service), increased traffic under conditions of greater and more variable congestion and a trending increase in bodily injury claims.

Workplace injuries per 100 employees measures the rate of workplace injuries among BC Transit's workforce. This measure is influenced by an aging workforce and the recent addition of mental illness as an approved workplace injury.

<sup>4</sup> The way in which this measure is calculated was revised in BC Transit's *2014/15–2016/17 Service Plan* to be consistent with industry standard. The 2013/14 result for this measure was 1.8 which, along with the 2014/15 result, indicates a high degree of variability in the limited historical data.

| Performance Measure                                 | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Passenger injury claims per million passenger trips | 1.8               | 0.8               | 1.0               | 2.0               | 1.0               | 2.0               | 1.9               |
| Workplace injuries per 100 employees*               | N/A               | 5.1               | 5.2               | 5.8               | 3.1               | 5.2               | 5.1               |

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

\* This is a measure introduced in the *BC Transit 2014/15 - 2016/17 Service Plan* to demonstrate workplace safety for BC Transit employees. Accordingly, results for 2013/14 are not available to be reported.

Discussion: *Target met.* The number of passenger injury claims for 2016/17 was significantly less than the target and flat from last year's measure. While BC Transit has continued its program of awareness around passenger safety, including defensive driving workshops and improved reporting procedures, the implementation of closed-circuit television (CCTV) has had the most impact on reducing the claims going to ICBC.

Discussion: *Target met.* Workplace injuries per 100 employees for 2016/17 were significantly lower than the target and an improvement over last year's measure. This is attributed to BC Transit's strong Occupational Health and Safety program which ensures a safe workplace for all employees.

#### Performance Measure 4.4: Maintain Quality of Service

Planned service delivered in conventional transit systems measures the quality of conventional transit service. The reliability of trips has an effect on the customer experience and the overall perception of transit and reflects BC Transit's ability to manage preventative issues and respond to emerging operational challenges while delivering transit services that are expected, and relied upon, by transit customers.

| Performance Measure*  | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Percentage of planned service delivered in conventional transit systems | N/A               | 99.9%             | 99.8%             | 99.7%             | 99.9%             | 99.7%             | 99.7%             |

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

\* This is a measure introduced in the *BC Transit 2014/15 - 2016/17 Service Plan* to demonstrate service reliability. Accordingly, results for 2013/14 are not available to be reported.

Discussion: *Target met.* Trip reliability was maintained in 2016/17. The 2016/17 result does not include the impact of service disruption associated with a November 2016 labour dispute in the Kelowna transit system.

#### Goal 5: Strengthen Our People and Partnerships

BC Transit's success depends on creating an adaptable, socially responsible organization that lives its values, develops its existing employees and partnerships, attracts new employees and explores opportunities. This means actively working to improve how employees are attracted and developed, encouraging a culture of innovation and accountability, monitoring environmental, social and economic impacts, and strengthening relationships with local government and other partners.

## Strategies

Be a responsive and accountable organization by:

- Increasing environmental accountability;
- Being an adaptable workplace of choice; and,
- Enhancing existing partnerships and developing new ones.

### Performance Measure 5.1: Reduce Carbon Intensity

Carbon intensity per service hour measures BC Transit's direct Greenhouse Gas (GHG) emissions in support of Provincial initiatives.

| Performance Measure                     | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Carbon (GHG) intensity per service hour | 28.35             | 28.79             | 28.88             | 28.86             | 28.85             | 28.83             | 28.82             |

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

Discussion: *Target met.* Carbon intensity per service hour measures BC Transit's direct Greenhouse Gas (GHG) emissions in support of Provincial initiatives. The decrease in 2016/17 reflects the regulated decline in carbon intensity of diesel fuel supplied in B.C. as a result of the Renewable and Low Carbon Fuel Requirements Regulation and the displacing of more diesel fuel through the further expansion of the Compressed Natural Gas and Gasoline bus fleets, where consumption of natural gas by BC Transit's fleet grew by 20 per cent over the previous year.

### Performance Measure 5.2: Strengthen Our People

Employee engagement measures an employee's involvement with, commitment to, and satisfaction with their work.

| Performance Measure | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Employee engagement | 60%               | N/A               | 63%               | N/A               | N/A               | 65%               | N/A               |

Data Source: Biennial employee survey, conducted by a third party research organization.

Discussion: *Not available.* BC Transit did not conduct an Employee Engagement Survey in 2016/17. Surveys are now conducted in the fall of odd-numbered years.

### Performance Measure 5.3: Strengthen Our Partnerships

Partnership satisfaction measures local government partners' perception of BC Transit's customer service and reflects efforts by BC Transit to improve service delivery as well as to engage more extensively with partners in identifying and developing solutions to local transit needs.

| Performance Measure  | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Target | 2016/17<br>Actual | 2017/18<br>Target | 2018/19<br>Target |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Partner satisfaction (on scale of 1, "very poor," to 5, "excellent") | 4.00              | 4.27              | 4.06              | 3.55              | 4.31              | 4.00              | 4.03              |

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

Discussion: *Target met.* Local government partners rated their overall satisfaction with the level of customer service provided by BC Transit as the highest yet measured. Maintaining partner relations continues to be a major priority for BC Transit as we work to engage our partners in a collaborative manner to optimize services and identify solutions that meet individual community and operating needs.

# Financial Report

## Financial Report

Figures in thousands

As at March 31, 2017

|  | 2011/12        | 2012/13        | 2013/14*       | 2014/15        | 2015/16         | 2016/17        |                |                            |                       |
|--|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------------------|-----------------------|
|  | Actual         | Actual         | Actual         | Actual         | Actual          | Actual         | Budget         | Variance<br>Year over Year | Variance<br>to Budget |
|  |                |                |                |                |                 |                |                | (Un)Favourable             |                       |
| <b>Revenue</b>   | (\$)           | (\$)           | (\$)           | (\$)           | (\$)            | (\$)           | (\$)           | (\$)                       | (\$)                  |
| Operations   | 67,847         | 67,944         | 69,192         | 69,182         | 70,494          | 74,495         | 70,584         | 4,001                      | 3,911                 |
| Government transfers                                   |                |                |                |                |                 |                |                |                            |                       |
| Provincial   | 88,065         | 89,013         | 95,415         | 96,211         | 103,862         | 104,903        | 105,665        | 1,041                      | (762)                 |
| Local government**                                     | 75,483         | 76,312         | 84,984         | 88,315         | 81,433          | 80,095         | 103,324        | (1,338)                    | (23,229)              |
| Deferred capital contributions                         | 27,183         | 28,805         | 38,746         | 23,449         | 30,587          | 30,150         | 29,673         | (436)                      | 477                   |
| Investment and other income                            | 2,947          | 4,152          | 5,219          | 4,030          | 3,294           | 3,536          | 4,821          | 242                        | (1,285)               |
| <b>Total Revenues</b>                                  | <b>261,525</b> | <b>266,226</b> | <b>293,556</b> | <b>281,187</b> | <b>289,670</b>  | <b>293,179</b> | <b>314,067</b> | <b>3,510</b>               | <b>(20,888)</b>       |
| <b>Expenses</b>  |                |                |                |                |                 |                |                |                            |                       |
| Operations   |                |                |                |                |                 |                |                |                            |                       |
| Operations (excl. fuel)                                | 114,236        | 116,269        | 124,105        | 124,105        | 129,048         | 133,203        | 136,109        | (4,155)                    | 2,906                 |
| Fuel   | 28,416         | 28,392         | 30,021         | 27,969         | 22,353          | 20,965         | 31,976         | 1,388                      | 11,011                |
| Total operations                                       | 142,652        | 144,661        | 154,126        | 152,074        | 151,401         | 154,168        | 168,085        | (2,767)                    | 13,917                |
| Maintenance  |                |                |                |                |                 |                |                |                            |                       |
| Fleet  | 32,122         | 33,053         | 35,824         | 37,332         | 38,566          | 41,859         | 42,984         | (3,293)                    | 1,125                 |
| Facilities   | 7,253          | 8,206          | 8,521          | 9,776          | 9,476           | 8,966          | 9,502          | 510                        | 536                   |
| Total maintenance                                      | 39,375         | 41,259         | 44,345         | 47,108         | 48,042          | 50,825         | 52,486         | (2,783)                    | 1,661                 |
| Administration   | 22,009         | 21,735         | 23,455         | 24,579         | 25,981          | 24,655         | 26,321         | 1,326                      | 1,666                 |
| Total operating expenses                               | 204,036        | 207,655        | 221,926        | 223,761        | 225,424         | 229,648        | 246,892        | (4,224)                    | 17,244                |
| Debt Service   |                |                |                |                |                 |                |                |                            |                       |
| Interest   | 10,902         | 11,045         | 10,794         | 10,478         | 9,478           | 9,192          | 10,746         | 286                        | 1,554                 |
| Amortization   | 47,218         | 47,739         | 60,597         | 46,372         | 54,835          | 54,395         | 56,429         | 440                        | 2,034                 |
|  | 58,120         | 58,784         | 71,391         | 56,850         | 64,313          | 63,587         | 67,175         | 726                        | 3,588                 |
| <b>Total Expenses</b>                                  | <b>262,156</b> | <b>266,439</b> | <b>293,317</b> | <b>280,611</b> | <b>289,737</b>  | <b>293,235</b> | <b>314,067</b> | <b>(3,498)</b>             | <b>20,832</b>         |
| <b>Net Income (Loss) from Operations</b>               | <b>(631)</b>   | <b>(213)</b>   | <b>239</b>     | <b>576</b>     | <b>(67)</b>     | <b>(56)</b>    | <b>-</b>       | <b>12</b>                  | <b>(56)</b>           |
| <b>Non-Operating Items:</b>                            |                |                |                |                |                 |                |                |                            |                       |
| Vancouver assets                                       |                |                |                |                |                 |                |                |                            |                       |
| Amortization expense                                   | (32,654)       | (14,769)       | (15,010)       | (15,187)       | (2,494)         | -              | -              | 2,494                      | -                     |
| Deferred capital contributions                         | 31,242         | 14,340         | 14,581         | 14,757         | 2,494           | -              | -              | (2,494)                    | -                     |
| Disposal and impairment of capital assets              |                |                |                |                |                 |                |                |                            |                       |
| Impairment of capital assets                           | -              | -              | -              | (4,600)        | -               | -              | -              | -                          | -                     |
| Loss on disposal of capital assets                     | -              | (370)          | -              | (716)          | (177)           | (1,592)        | -              | (1,415)                    | (1,592)               |
| Deferred capital contributions                         | -              | -              | -              | 2,881          | -               | -              | -              | -                          | -                     |
| Provincial government transfers                        | -              | -              | -              | 1,985          | -               | 88             | -              | 88                         | 88                    |
| Other capital recoveries                               | 11             | -              | 16             | 450            | 405             | 1,645          | -              | 1,240                      | 1,645                 |
| Other income/(expense)                                 | -              | -              | -              | 39             | 102             | (28)           | -              | (130)                      | (28)                  |
| Gain (loss) on investments                             | 620            | 578            | 699            | 285            | 127             | 10             | -              | (117)                      | 10                    |
| <b>Total Non-Operating Items</b>                       | <b>(781)</b>   | <b>(221)</b>   | <b>286</b>     | <b>(106)</b>   | <b>457</b>      | <b>123</b>     | <b>-</b>       | <b>(334)</b>               | <b>123</b>            |
| <b>Annual surplus (deficit)</b>                        | <b>(1,412)</b> | <b>(434)</b>   | <b>525</b>     | <b>470</b>     | <b>390</b>      | <b>67</b>      | <b>-</b>       | <b>(322)</b>               | <b>67</b>             |
| Non-routine loss on transfer of Vancouver assets       | -              | -              | -              | -              | (65,875)        | -              | -              | 65,875                     | -                     |
| <b>Annual surplus (deficit) after non-routine loss</b> | <b>(1,412)</b> | <b>(434)</b>   | <b>525</b>     | <b>470</b>     | <b>(65,485)</b> | <b>67</b>      | <b>-</b>       | <b>65,553</b>              | <b>67</b>             |

\*Fiscal 2013/14 has been restated due to a correction of an error. For more information please see note 3 to the consolidated financial statements

\*\* Includes Provincial Health Authority and fuel tax funding



## Discussion of Results

Total revenues for the year ending March 31, 2017 were \$293.2 million, an increase of \$3.5 million from fiscal 2015/16 and \$20.9 million lower than budget. The increase in total revenue from fiscal 2015/16 can be attributed to higher passenger revenues in Victoria with the introduction of day passes and the elimination of transfers effective April 1, 2016. In addition, Regional Transit system passenger revenues also increased over 2015/16.

Total operating expenses (excluding debt service) for the year ending March 31, 2017 were \$229.6 million, an increase of \$4.2 million over 2015/16 and \$17.2 million lower than budget. Cost efficiency, as measured on a cost per hour basis, was favourable to budget by 5.8 per cent and higher than 2015/16 by 1.2 per cent.

The total operating expenses increased over fiscal 2015/16, which can be attributed to the part year service expansions (4,700 service hours) and more service hours provided due to fewer statutory holidays in 2016/17, general inflationary pressures on materials, parts, wages and benefits, and contracted services. Total operating expense were below budget due to fuel savings from lower than budgeted diesel prices, the delivery of lower than anticipated service hours, lower labour and benefit costs, lower than budgeted Enterprise Resource Planning expenses and timing of the transit priority lanes in Victoria.

Debt service (interest and amortization) for the year ending March 31, 2017, was \$63.6 million, a decrease of \$0.7 million from fiscal 2015/16. The decrease can be attributed to interest expense relating to retirement of debt and a decrease in amortization expense due to useful life extensions on certain assets. The decrease over budget is due to lower than budgeted interest expense and the timing of completion of capital projects.

Effective May 21, 2015, BC Transit transferred all tangible capital assets under lease in the Greater Vancouver Regional District and related liabilities to the BC Transportation Financing Authority (“BCTFA”). Upon the transfer, BC Transit recognized a reduction in the 2015/16 annual surplus of \$65.9 million. The transfer was an extraordinary item within the financial statements and zero proceeds were received. The transaction was non-recurring and had no impact to the ongoing operations or financial assets of BC Transit.

## Risks and Uncertainties

BC Transit is exposed to commodity price risk on fuel purchases. Management monitors the exposure to fuel price volatility and prepares the budget accordingly. Risk mitigation strategies are continually assessed, including consideration of physical fixed price fuel hedging agreements versus continuing to buy fuel at rack prices. Operating reserve funds are available to mitigate the risk of short-term increases to fuel prices.

## Auditor's Report



OFFICE OF THE  
**Auditor General**  
of British Columbia

### **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying consolidated financial statements of British Columbia Transit ("the entity"), which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, changes in net debt, cash flows, and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

***Basis for Qualified Opinion***

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

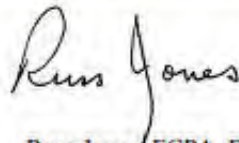
Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received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

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year consolidated financial statements is an overstatement of the liability for deferred revenue and contributions of \$21.6 million and for deferred capital contributions of \$196.7 million, an understatement of opening accumulated surplus of \$220.8 million, and a current year overstatement of revenue of \$2.5 million. Accordingly, the current year surplus is overstated by \$2.5 million and net debt is overstated by \$218.3 million.

***Qualified Opinion***

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the British Columbia Transit as at March 31, 2017, and the results of its operations, changes in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia  
May 31, 2017



Russ Jones, FCPA, FCA  
Deputy Auditor General



## **Audited Financial Statements**

Consolidated Financial Statements of

**BRITISH COLUMBIA TRANSIT**

Year ended March 31, 2017



## MANAGEMENT REPORT

Year ended March 31, 2017

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 31, 2017.

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

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

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

On behalf of BC Transit:



Manuel Achadinha  
President and Chief Executive Officer  
Date: May 31, 2017



Alan Thomas, CPA, CMA  
Vice-President, Finance and Chief Financial Officer  
Date: May 31, 2017

**BRITISH COLUMBIA TRANSIT**

Consolidated Statement of Financial Position  
(in thousands of dollars)

March 31, 2017, with comparative figures for March 31, 2016

|   | March 31,<br>2017   | March 31,<br>2016   |
|---|---------------------|---------------------|
| <b>FINANCIAL ASSETS</b>                     |                     |                     |
| Cash and cash equivalents (note 3)          | \$ 39,663           | \$ 47,481           |
| Accounts receivable:                        |                     |                     |
| Provincial and federal capital grants       | 11,774              | 1,289               |
| Local government                            | 17,187              | 15,081              |
| Trade and other                             | 15,407              | 5,324               |
| Debt sinking funds (note 6)                 | 94,001              | 90,993              |
|   | <u>178,032</u>      | <u>160,168</u>      |
| <b>LIABILITIES</b>                          |                     |                     |
| Accounts payable and accrued liabilities    | 25,611              | 28,582              |
| Provincial funding payable                  | -                   | 2,177               |
| Deferred revenue and contributions (note 4) | 55,211              | 35,096              |
| Deferred capital contributions (note 5)     | 196,737             | 202,858             |
| Debt (note 6)                               | 180,006             | 186,346             |
| Employee future benefits (note 7)           | 19,457              | 18,254              |
|   | <u>477,022</u>      | <u>473,313</u>      |
| <b>NET DEBT</b>                             | <b>\$ (298,990)</b> | <b>\$ (313,145)</b> |
| <b>NON FINANCIAL ASSETS</b>                 |                     |                     |
| Tangible capital assets (note 8)            | 298,748             | 314,157             |
| Inventories                                 | 9,334               | 8,739               |
| Prepaid expenses                            | 2,347               | 3,302               |
| Prepaid lease payments                      | 4,807               | 5,223               |
|   | <u>315,236</u>      | <u>331,421</u>      |
| <b>ACCUMULATED SURPLUS</b>                  |                     |                     |
| Accumulated operating surplus               | 7,919               | 7,852               |
| Accumulated remeasurement gains             | 8,327               | 10,424              |
|   | <u>\$ 16,246</u>    | <u>\$ 18,276</u>    |

Commitments and contingencies (notes 11 and 12)

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

Approved on behalf of the Board:

  
Frank Carson, Chair  
May 31, 2017

  
Kelly Cairns, Director  
May 31, 2017

**BRITISH COLUMBIA TRANSIT**

Consolidated Statement of Operations  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for March 31, 2016

|   | Budget<br>2017 | March 31,<br>2017 | March 31,<br>2016 |
|---|----------------|-------------------|-------------------|
|   | (Note 2(j))    |                   |                   |
| Revenue:  |                |                   |                   |
| Operations  | \$ 70,584      | \$ 74,495         | \$ 70,494         |
| Government transfers:                                     |                |                   |                   |
| Provincial (note 13)                                      | 105,665        | 104,903           | 103,862           |
| Local government (note 13)                                | 103,324        | 80,095            | 81,433            |
| Deferred capital contributions (note 5)                   | 29,673         | 30,150            | 30,587            |
| Investment and other income                               | 4,821          | 3,536             | 3,294             |
|   | <u>314,067</u> | <u>293,179</u>    | <u>289,670</u>    |
| Expenses: (note 14)                                       |                |                   |                   |
| Operations  | 231,345        | 213,357           | 212,018           |
| Maintenance   | 55,523         | 54,292            | 50,878            |
| Administration  | 27,199         | 25,586            | 26,841            |
|   | <u>314,067</u> | <u>293,235</u>    | <u>289,737</u>    |
| Net deficit from operations                               |                | (56)              | (67)              |
| Other:  |                |                   |                   |
| Vancouver Assets:   |                |                   |                   |
| Deferred capital contributions                            | -              | -                 | 2,494             |
| Amortization expense                                      | -              | -                 | (2,494)           |
| Disposal and impairment of capital assets:                |                |                   |                   |
| Loss on disposal of capital assets                        | -              | (1,592)           | (177)             |
| Other capital recoveries                                  | -              | 1,645             | 405               |
| Provincial government transfers (land) (note 13)          | -              | 88                | -                 |
| Gain on investments                                       | -              | 10                | 127               |
| Other income (expense)                                    | -              | (28)              | 102               |
|   | -              | 123               | 457               |
| Annual surplus  | -              | 67                | 390               |
| Non-routine loss on transfer of Vancouver assets (note 9) | -              | -                 | (65,875)          |
| Annual surplus (deficit) after non-routine loss           | -              | 67                | (65,485)          |
| Accumulated operating surplus, beginning of year          | 7,852          | 7,852             | 73,337            |
| Accumulated operating surplus, end of year                | \$ 7,852       | \$ 7,919          | \$ 7,852          |

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, 2017, with comparative figures for March 31, 2016

|   | Budget<br>2017 | March 31,<br>2017 | March 31,<br>2016 |
|---|----------------|-------------------|-------------------|
|   | (Note 2(j))    |                   |                   |
| Surplus (deficit) for the year  | \$ -           | \$ 67             | \$ (65,485)       |
| Acquisition of tangible capital assets                                    | (66,437)       | (40,269)          | (50,708)          |
| Amortization of tangible capital assets                                   | 56,429         | 54,395            | 57,329            |
| Loss on disposal of tangible capital assets                               | -              | 1,687             | 177               |
| Transfer of deferred capital contributions                                | -              | -                 | 609,245           |
| Loss on transfer of Vancouver assets                                      | -              | -                 | 65,875            |
| Proceeds on disposal of tangible capital assets and assets<br>under lease | -              | 95                | 170               |
|   | (10,008)       | 15,975            | 616,603           |
| Acquisition of inventories of parts                                       | -              | (24,071)          | (22,795)          |
| Consumption of inventories of parts                                       | -              | 23,476            | 23,409            |
| Acquisition of prepaid expenses   | -              | (9,420)           | (8,914)           |
| Consumption of prepaid expenses   | -              | 9,876             | 7,121             |
| Acquisition of prepaid leases   | -              | -                 | (1,934)           |
| Consumption of prepaid leases   | -              | 416               | 352               |
|   | -              | 277               | (2,761)           |
| Realized gain reclassified to operations                                  | -              | (10)              | (127)             |
| Unrealized loss on portfolio investment                                   | -              | (2,087)           | (1,771)           |
|   | -              | (2,097)           | (1,898)           |
| (Increase) decrease in net debt   | (10,008)       | 14,155            | 611,944           |
| Net debt, beginning of year   | (313,145)      | (313,145)         | (925,089)         |
| Net debt, end of year   | \$ (323,153)   | \$ (298,990)      | \$ (313,145)      |

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



**BRITISH COLUMBIA TRANSIT**

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

Years ended March 31, 2017, with comparative figures for March 31, 2016

|  | March 31,<br>2017 | March 31,<br>2016 |
|--|-------------------|-------------------|
| Accumulated remeasurement gains, beginning of year                                 | \$ 10,424         | \$ 12,322         |
| Unrealized loss on investments   | (2,087)           | (1,771)           |
| Realized gain on investments, reclassified to Consolidated Statement of Operations | (10)              | (127)             |
| Accumulated remeasurement gains, end of year                                       | \$ 8,327          | \$ 10,424         |

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

**BRITISH COLUMBIA TRANSIT**

Consolidated Statement of Cash Flows  
(In thousands of dollars)

Years ended March 31, 2017, with comparative figures for March 31, 2016

|  | March 31,<br>2017 | March 31,<br>2016 |
|--|-------------------|-------------------|
| Cash provided by (used for):   |                   |                   |
| Operating transactions   |                   |                   |
| Annual surplus (deficit)   | \$ 67             | \$ (65,485)       |
| Non-cash charges to operations (note 15)                                     | 24,646            | 90,611            |
| Changes in non-cash operating working capital (note 15)                      | (5,998)           | 9,289             |
| Cash provided by operating transactions                                      | 18,715            | 34,415            |
| Capital transactions   |                   |                   |
| Proceeds on disposal of tangible capital assets                              | 95                | 170               |
| Cash used to acquire tangible capital assets                                 | (39,776)          | (48,170)          |
| Cash applied to capital transactions   | (39,681)          | (48,000)          |
| Investing transactions   |                   |                   |
| Increase in debt sinking funds and investments net of unrealized gain (loss) | (5,106)           | 8,401             |
| Cash provided by (applied to) investing transactions                         | (5,106)           | 8,401             |
| Financing transactions   |                   |                   |
| Prepaid lease payments   | -                 | (1,934)           |
| Debt repaid  | (6,378)           | (25,595)          |
| Deferred capital contributions received                                      | 24,632            | 42,138            |
| Cash provided by financing transactions                                      | 18,254            | 14,609            |
| Increase / (decrease) in cash and cash equivalents                           | (7,818)           | 9,425             |
| Cash and cash equivalents, beginning of year                                 | 47,481            | 38,056            |
| Cash and cash equivalents, end of year                                       | \$ 39,663         | \$ 47,481         |
| Supplemental cash flow information:  |                   |                   |
| Cash paid for interest   | \$ 9,178          | \$ 9,776          |
| Cash received from interest  | \$ 241            | \$ 205            |

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, 2017, with comparative figures for 2016

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### 1. Nature of Operations:

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

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

### 2. Summary of Significant Accounting Policies:

#### (a) Basis of accounting:

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

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

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

#### (b) Basis of consolidation:

##### (i) 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.



## BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

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### 2. Summary of Significant Accounting Policies (continued):

#### (b) Basis of consolidation (continued):

##### (i) Consolidated entities:

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

TBC Vehicle Management Inc.

TBC Operations Inc.

TBC Properties Inc.

0915866 B.C. Ltd.

0922667 B.C. Ltd.

0925406 B.C. Ltd.

0928624 B.C. Ltd.

#### (c) Deferred contributions and revenue recognition:

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

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

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in 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 in revenue in the year in which the stipulation or restriction on the contribution has been met.

See note 18 for the impact of this regulation on these consolidated financial statements.

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

#### (d) Investment income:

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

7

## BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

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### 2. Summary of Significant Accounting Policies (continued):

#### (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.

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

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

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

#### (i) Cash and cash equivalents:

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



## BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

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### 2. Summary of Significant Accounting Policies (continued):

#### (e) Financial instruments (continued):

##### (ii) Accounts receivable:

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

##### (iii) Debt sinking funds:

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

##### (iv) Debt and other financial liabilities:

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

#### (f) Employee future benefits:

(i) BC Transit and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Multi-employer, jointly-trusted pension plans follow defined contribution pension plan accounting. Contributions are expensed as they become payable.

(ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical, MSP), post-employment benefits (vacation, overtime) and continuation of long term disability benefits. The future obligations under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for March 31, 2015, extrapolated to March 31, 2017.

**BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**2. Summary of Significant Accounting Policies (continued):**

(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. British Columbia Transit:
  - a. is directly responsible; or
  - b. accepts responsibility; and
4. A reasonable estimate of the amount can be made.

As at March 31, 2017, BC Transit has not identified any contaminated sites that meet the criteria for recognition.

(h) Non-financial assets:

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

(i) Tangible capital assets:

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

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

(ii) Contributions of tangible capital assets:

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



## BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

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### 2. Summary of Significant Accounting Policies (continued):

#### (h) Non-financial assets (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 and prepaid property leases. These are charged to expense over the period they are expected to benefit.

##### (vii) Intangibles:

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

#### (i) Measurement uncertainty:

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

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

#### (j) Budget data:

The budget data presented in these consolidated financial statements was included in the 2016/17 – 2018/19 Service Plan approved by the Board of Directors on January 21, 2016.



**BRITISH COLUMBIA TRANSIT**Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**3. Cash and cash equivalents:**

Major components of cash and cash equivalents are as follows:

|                  | 2017             | 2016             |
|------------------|------------------|------------------|
| Cash             | \$ 18,646        | \$ 34,166        |
| Cash equivalents | 21,017           | 13,315           |
|                  | <u>\$ 39,663</u> | <u>\$ 47,481</u> |

**4. Deferred revenue and contributions:**

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

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

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

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

|  | 2017             | 2016             |
|--|------------------|------------------|
| Deferred service funding contributions   | \$ 32,493        | \$ 15,790        |
| Deferred contributions                   | 17,736           | 13,217           |
| Deferred revenue                         | 4,982            | 6,089            |
| Total deferred revenue and contributions | <u>\$ 55,211</u> | <u>\$ 35,096</u> |

**BRITISH COLUMBIA TRANSIT**Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**4. Deferred revenue and contributions (continued):**

Continuity of deferred service funding, contributions and revenue:

|   | 2017      | 2016      |
|---|-----------|-----------|
| Deferred service funding contributions: |           |           |
| Balance, beginning of year              | \$ 15,790 | \$ -      |
| Service funding contributions received  | 63,360    | 63,497    |
| Service funding contributions applied   | (46,657)  | (47,707)  |
| Balance, end of year                    | 32,493    | 15,790    |
| Deferred contributions:                 |           |           |
| Balance, beginning of year              | \$ 13,217 | \$ 8,682  |
| Contributions received                  | 37,956    | 38,261    |
| Contributions used                      | (33,437)  | (33,726)  |
| Balance, end of year                    | 17,736    | 13,217    |
| Deferred revenue:                       |           |           |
| Balance, beginning of year              | 6,089     | 5,873     |
| Amounts received                        | 1,058     | 1,155     |
| Amounts recognized as revenue           | (2,165)   | (939)     |
| Balance, end of year                    | 4,982     | 6,089     |
| Balance, end of year                    | \$ 55,211 | \$ 35,096 |

**5. Deferred capital contributions:**

Deferred capital contributions include Federal and Provincial grants subject to amortization on the same basis as the related asset.

|  | 2017       | 2016       |
|--|------------|------------|
| Balance, beginning of year                 | \$ 202,858 | \$ 191,379 |
| Contributions and other additions          | 24,632     | 42,139     |
| Impairment and disposals of capital assets | (603)      | (73)       |
| Amortization                               | (30,150)   | (30,587)   |
| Balance, end of year                       | \$ 196,737 | \$ 202,858 |

**BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**6. 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:

|  | 2017       | 2016       |
|--|------------|------------|
| Debt has a weighted average rate of 5.06%, maturing at various dates to 2040, amortized from 8 to 30 years | \$ 180,006 | \$ 186,346 |

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

|            |         |
|------------|---------|
| 2018       | -       |
| 2019       | 11,200  |
| 2020       | 1,828   |
| 2021       | 19,070  |
| 2022       | 15,972  |
| Thereafter | 132,009 |

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes \$10 (2016 - \$127) 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:

|                    | 2017             |                  | 2016             |                  |
|--------------------|------------------|------------------|------------------|------------------|
|                    | Cost             | Market value     | Cost             | Market value     |
| Provincial bonds   | \$ 83,375        | \$ 91,611        | \$ 76,108        | \$ 86,418        |
| Money market funds | 387              | 387              | 2,591            | 2,591            |
| Corporate bonds    | 1,912            | 2,003            | 1,856            | 1,984            |
| <b>Total</b>       | <b>\$ 85,674</b> | <b>\$ 94,001</b> | <b>\$ 80,555</b> | <b>\$ 90,993</b> |

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

|            |        |
|------------|--------|
| 2018       | 6,780  |
| 2019       | 6,083  |
| 2020       | 4,631  |
| 2021       | 4,279  |
| 2022       | 3,971  |
| Thereafter | 24,983 |



**BRITISH COLUMBIA TRANSIT**Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**6. Debt (continued):**

In October 1992, BC Transit entered into an unsecured revolving credit facility with a Canadian Financial Institution totaling \$10 million. The revolving credit may be terminated in whole or in part and shall be due on demand. Interest on the revolving credit 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. As of March 31, 2017 BC Transit has not drawn on the facility.

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. Term 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, 2017 BC Transit has not drawn on the facility.

**7. 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.

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

|   | 2017      | 2016      |
|---|-----------|-----------|
| Accrued benefit obligation:                   |           |           |
| Balance, beginning of year                    | \$ 18,254 | \$ 16,646 |
| Current benefit cost and event-driven expense | 996       | 1,307     |
| Interest                                      | 506       | 450       |
| Actuarial loss                                | 69        | 174       |
| Benefits paid                                 | (368)     | (323)     |
| Balance, end of year                          | 19,457    | 18,254    |
| Unamortized actuarial loss                    | -         | 116       |
| Liability for benefits                        | \$ 19,457 | \$ 18,370 |

Information about BC Transit's benefit plans is as follows:

|   | 2017      | 2016      |
|---|-----------|-----------|
| Non-pension post retirement benefits          | \$ 16,648 | \$ 15,452 |
| Post employment benefits                      | 928       | 1,095     |
| Continuation of long term disability benefits | 1,881     | 1,823     |
| Total liability for benefits                  | \$ 19,457 | \$ 18,370 |

Included in expenses is \$69 (2016 – \$174) for amortization of the actuarial loss.

**BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**7. Employee future benefit obligations (continued):**

The unamortized actuarial loss on future payments is amortized over the expected period of the liability which is 9 years (2016 – 9 years) for post employment benefits and 10 years (2016 – 10 years) for post retirement benefits.

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

|  | 2017   | 2016   |
|--|--|--|
| Discount rate                                    | 2.9% - 3.1%                                      | 2.7% - 3.0%                                      |
| Expected future inflationary increases           | 2.6% - 5.15%                                     | 2.6% - 5.15%                                     |
| Weighted average health care trend - end of year | 6.94% in 2017 grading to 4.29% in and after 2029 | 6.94% in 2016 grading to 4.29% in and after 2029 |
| Dental and MSP trend – end of year               | 4.5%   | 4.5%   |

**Public Service Pension Plan**

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly trustee pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. The plan has approximately 119,000 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, 2014, indicated a funding surplus of \$193,698 million for basic pension benefits. The next valuation will be March 31, 2017 with results available later in 2017.

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, 2017 for employer contributions was \$5,223 (2016 – \$4,835).

**BRITISH COLUMBIA TRANSIT**Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**8. Tangible capital assets:**

| Cost   | Balance,<br>March 31,<br>2016 | Additions        | Disposals          | Balance,<br>March 31,<br>2017 |
|--|-------------------------------|------------------|--------------------|-------------------------------|
| Land   | \$ 15,694                     | \$ -             | \$ -               | \$ 15,694                     |
| Exchanges, shelters and other transit infrastructure | 59,018                        | 2,890            | -                  | 61,908                        |
| Buildings  | 50,252                        | 899              | -                  | 51,151                        |
| Vehicles   | 451,602                       | 25,532           | (14,136)           | 462,998                       |
| Other equipment                                      | 56,948                        | 1,973            | -                  | 58,921                        |
| Capital projects in progress                         | 11,353                        | 40,673           | (31,309)           | 20,717                        |
| <b>Total</b>   | <b>\$ 644,867</b>             | <b>\$ 71,967</b> | <b>\$ (45,445)</b> | <b>\$ 671,389</b>             |

| Accumulated amortization                             | Balance,<br>March 31,<br>2016 | Disposals          | Amortization     | Balance,<br>March 31,<br>2017 |
|--|-------------------------------|--------------------|------------------|-------------------------------|
| Exchanges, shelters and other transit infrastructure | \$ 11,389                     | \$ -               | \$ 4,727         | \$ 16,116                     |
| Buildings  | 24,662                        | -                  | 1,826            | 26,488                        |
| Vehicles   | 260,003                       | (12,464)           | 42,967           | 290,506                       |
| Other equipment                                      | 34,656                        | -                  | 4,875            | 39,531                        |
| Capital projects in progress                         | -                             | -                  | -                | -                             |
| <b>Total</b>   | <b>\$ 330,710</b>             | <b>\$ (12,464)</b> | <b>\$ 54,395</b> | <b>\$ 372,641</b>             |

| Net book value  | Balance,<br>March 31,<br>2016 | Balance,<br>March 31,<br>2017 |
|---|-------------------------------|-------------------------------|
| Land  | \$ 15,694                     | \$ 15,694                     |
| Exchanges, shelters, and other transit infrastructure | 47,629                        | 45,792                        |
| Buildings   | 25,590                        | 24,663                        |
| Vehicles  | 191,599                       | 172,492                       |
| Other equipment                                       | 22,292                        | 19,390                        |
| Capital projects in progress                          | 11,353                        | 20,717                        |
| <b>Total</b>  | <b>\$ 314,157</b>             | <b>\$298,748</b>              |



**BRITISH COLUMBIA TRANSIT**Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**8. Tangible capital assets (continued):**

| Cost   | Balance,<br>March 31,<br>2015 | Additions         | Disposals           | Balance,<br>March 31,<br>2016 |
|--|-------------------------------|-------------------|---------------------|-------------------------------|
| Land   | \$ 15,694                     | \$ -              | \$ -                | \$ 15,694                     |
| Exchanges, shelters and other transit infrastructure | 31,054                        | 27,964            | -                   | 59,018                        |
| Buildings  | 49,723                        | 529               | -                   | 50,252                        |
| Vehicles   | 413,200                       | 62,618            | (24,216)            | 451,602                       |
| Other equipment                                      | 48,673                        | 8,275             | -                   | 56,948                        |
| Capital projects in progress                         | 61,231                        | 49,507            | (99,385)            | 11,353                        |
| <b>Total</b>   | <b>\$ 619,575</b>             | <b>\$ 148,893</b> | <b>\$ (123,601)</b> | <b>\$ 644,867</b>             |

| Accumulated amortization                             | Balance,<br>March 31,<br>2015 | Disposals          | Amortization     | Balance,<br>March 31,<br>2016 |
|--|-------------------------------|--------------------|------------------|-------------------------------|
| Exchanges, shelters and other transit infrastructure | \$ 7,777                      | \$ -               | \$ 3,612         | \$ 11,389                     |
| Buildings  | 22,883                        | -                  | 1,779            | 24,662                        |
| Vehicles   | 238,629                       | (24,039)           | 45,413           | 260,003                       |
| Other equipment                                      | 30,625                        | -                  | 4,031            | 34,656                        |
| Capital projects in progress                         | -                             | -                  | -                | -                             |
| <b>Total</b>   | <b>\$ 299,914</b>             | <b>\$ (24,039)</b> | <b>\$ 54,835</b> | <b>\$ 330,710</b>             |

| Net book value  | Balance,<br>March 31,<br>2015 | Balance,<br>March 31,<br>2016 |
|---|-------------------------------|-------------------------------|
| Land  | \$ 15,694                     | \$ 15,694                     |
| Exchanges, shelters, and other transit infrastructure | 23,277                        | 47,629                        |
| Buildings   | 26,840                        | 25,590                        |
| Vehicles  | 174,571                       | 191,599                       |
| Other equipment                                       | 18,048                        | 22,292                        |
| Capital projects in progress                          | 61,231                        | 11,353                        |
| <b>Total</b>  | <b>\$ 319,661</b>             | <b>\$ 314,157</b>             |

Assets under construction having a value of \$20,717 (2016 - \$11,353) 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 \$1,672 (2016 - \$177) were written off.

Interest capitalized for capital projects in 2017 was \$738 (2016 - \$3,328).

**BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

9. Tangible capital assets under lease:

For the prior year ending March 31, 2016 capital assets under lease consisted of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets were made available to the South Coast British Columbia Transportation Authority ("SCBCTA") for their use pursuant to an Order in Council and operating lease. The operating lease arrangements with SCBCTA for the Expo and Millennium Line guideways and system improvements included a nominal lease fee amount.

On May 14, 2015, Bill 2 – 2015 BC Transportation Financing Authority Transit Assets and Liabilities Act (the "Bill") was granted Royal Assent. The Bill called for all the assets and liabilities of Rapid Transit Project 2000 Ltd. ("RTP 2000") and the assets and liabilities connected to the regional transportation system of Greater Vancouver Regional District, owned by BC Transit, to be transferred to the BCTFA.

Effective May 21, 2015, BC Transit transferred, for nil proceeds, tangible capital assets with a net book value of \$675,120 and deferred capital contributions of \$609,245 to BCTFA. Upon transfer, BC Transit recognized a reduction in annual surplus of \$65,875, representing the carrying value of land transferred.

Subsequently on June 1, 2015 the public sector accounting board released a new standard PS 3430 - Restructuring Transactions which applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018 and allowing for earlier adoption. This standard directs entities to recognize restructuring transactions through the statement of operations. BC Transit elected to early adopt PS 3430 – Restructuring Transactions. The following table reflects the financial impact to BC Transit and BCTFA and the consolidated financial impact to the Province of BC.

| Entity   | Tangible capital assets | Accumulated amortization | Net book value | Deferred capital contributions | Net gain (loss) |
|--|-------------------------|--------------------------|----------------|--------------------------------|-----------------|
| BC Transit                                     | \$ (1,374,789)          | \$ 699,669               | \$ (675,120)   | \$ 609,245                     | \$ (65,875)     |
| BCTFA  | 1,374,789               | (699,669)                | 675,120        | (609,245)                      | 65,875          |
| Summary Financial Statement,<br>Province of BC | \$ -                    | \$ -                     | \$ -           | \$ -                           | \$ -            |



**BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**10. Victoria Regional Transit Commission:**

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

|                                       | 2017     | 2016      |
|---------------------------------------|----------|-----------|
| Cash held in trust, beginning of year | \$ 9,801 | \$ 11,788 |
| Revenue:                              |          |           |
| Fuel tax                              | 12,321   | 11,951    |
| Property tax                          | 30,155   | 30,048    |
| Investment and other income           | 135      | 187       |
| Government transfers                  | (43,389) | (44,173)  |
| Cash held in trust, end of year       | \$ 9,023 | \$ 9,801  |

**11. Commitments:**

BC Transit has outstanding commitments as summarized below:

|                        | 2018      | 2019     | 2020     | 2021     | 2022     |
|------------------------|-----------|----------|----------|----------|----------|
| Operating Leases       | \$ 1,460  | \$ 1,596 | \$ 1,671 | \$ 1,711 | \$ 1,739 |
| Facilities             | 5,997     | 135      | -        | -        | -        |
| Vehicle Purchases      | 68,730    | -        | -        | -        | -        |
| Information Technology | 2,495     | 377      | -        | -        | -        |
| Other                  | 1,806     | -        | -        | -        | -        |
|                        | \$ 80,488 | \$ 2,108 | \$ 1,671 | \$ 1,711 | \$ 1,739 |

**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, 2017 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.

**BRITISH COLUMBIA TRANSIT**Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**13. Government transfers:**

The transfers reported on the statement of operations are:

|  | 2017              | 2016              |
|--|-------------------|-------------------|
| Government transfers:                                  |                   |                   |
| Provincial contributions:                              |                   |                   |
| Operating transfers                                    | \$ 104,903        | \$ 103,862        |
| Deferred capital contributions                         | 24,798            | 25,584            |
| Write-off capital assets                               | 603               | 73                |
| Contributions for the purchase of land                 | 88                | -                 |
| Deferred capital contributions - Vancouver             | -                 | 2,494             |
| Transfer of deferred capital contributions – Vancouver | -                 | 577,109           |
|  | 130,392           | 709,122           |
| Federal contributions:                                 |                   |                   |
| Deferred capital contributions                         | 4,162             | 3,819             |
| Transfer of deferred capital contributions – Vancouver | -                 | 32,136            |
|  | 4,162             | 35,955            |
| Local government contributions:                        |                   |                   |
| Transfers under cost share agreements                  | 80,095            | 81,433            |
| Deferred capital contributions                         | 1,066             | 1,080             |
|  | 81,161            | 82,513            |
| Other:   |                   |                   |
| Deferred capital contributions                         | 124               | 104               |
| <b>Total government transfers</b>                      | <b>\$ 215,839</b> | <b>\$ 827,694</b> |

**14. Classification of expense by object:**

|   | Budget            | 2017              | 2016              |
|---|-------------------|-------------------|-------------------|
| Contracted salaries, wages and benefits | \$ 85,546         | \$ 84,683         | \$ 82,117         |
| Salaries, wages and benefits            | 70,417            | 69,667            | 67,715            |
| Amortization of capital assets          | 56,429            | 54,395            | 54,835            |
| Fuel and lubricants                     | 32,551            | 21,301            | 22,738            |
| Fleet maintenance                       | 29,605            | 28,841            | 27,150            |
| Interest                                | 10,746            | 9,192             | 9,478             |
| Insurance                               | 5,147             | 5,348             | 5,090             |
| Facility maintenance                    | 3,613             | 3,446             | 3,423             |
| Information systems                     | 3,933             | 3,498             | 3,430             |
| Leases and taxes                        | 2,973             | 2,723             | 2,435             |
| Major projects and initiatives          | 2,487             | 708               | 2,050             |
| Local government expenses               | 2,169             | 2,148             | 2,135             |
| Marketing and communications            | 2,044             | 1,972             | 1,881             |
| Taxi programs                           | 1,879             | 1,722             | 1,905             |
| Corporate expenses                      | 2,444             | 2,054             | 1,710             |
| Professional fees                       | 976               | 780               | 965               |
| Travel and meetings                     | 1,108             | 757               | 680               |
| <b>Total operating expenses</b>         | <b>\$ 314,067</b> | <b>\$ 293,235</b> | <b>\$ 289,737</b> |

21

**BRITISH COLUMBIA TRANSIT**Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**15. Additional information for the Statement of cash flows:**

|  | 2017              | 2016             |
|--|-------------------|------------------|
| <b>Non-cash charges to operations:</b>                 |                   |                  |
| Amortization of debt discount                          | \$ 38             | \$ 38            |
| Amortization of tangible capital assets                | 54,395            | 57,329           |
| Amortization of prepaid lease                          | 416               | 352              |
| Loss (gain) on the disposal of tangible capital assets | (53)              | 98               |
| Loss on the transfer of Vancouver assets               | -                 | 65,875           |
| Amortization of deferred capital contributions         | (30,150)          | (33,081)         |
|  | <u>\$ 24,646</u>  | <u>\$ 90,611</u> |
| <b>Changes in non-cash operating working capital:</b>  |                   |                  |
| Accounts receivable                                    | \$ (22,674)       | \$ 290           |
| Accounts payable and accrued liabilities               | (2,971)           | (12,140)         |
| Provincial revenue and funding payable                 | (2,177)           | 674              |
| Deferred revenue and contributions                     | 20,760            | 19,036           |
| Employee future benefits                               | 1,203             | 1,608            |
| Inventories of parts                                   | (595)             | 614              |
| Inventories held for sale                              | -                 | 1,000            |
| Prepaid expenses                                       | 456               | (1,793)          |
|  | <u>\$ (5,998)</u> | <u>\$ 9,289</u>  |



## BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

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### 16. Financial instruments:

#### (a) Fair value:

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

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

#### (b) Risks associated with financial assets and liabilities:

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

##### *Market risk:*

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

##### *Commodity price risk:*

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, 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.

**BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

**16. Financial instruments (continued):**

(b) Risks associated with financial assets and liabilities (continued):

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

|  |    |     |
|--|----|-----|
| Estimated impact of a 1% change on annual surplus: |    |     |
| Interest rate risk                                 | \$ | 363 |
| Foreign exchange risk                              |    | 360 |
| Commodity risk (fuel)                              |    | 311 |

*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 6. Other commitments with future minimum payments are disclosed in note 11.

*Credit risk:*

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



**BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

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**16. Financial instruments (continued):**

## (c) Capital disclosures:

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

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

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

**17. Related party transactions:**

As a Crown Corporation of the Province, BC Transit and the Province are considered related parties. All transactions between BC Transit and the Province 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. Related party transactions and balances have been disclosed elsewhere in the financial statements (note 10).

**18. Impact of accounting for Government Transfers in accordance with Section 23.1 of the Budget Transparency and Accountability Act:**

As noted in the significant accounting policies, note 2(a), Section 23.1 of the *Budget Transparency and Accountability Act* and Restricted Contributions Regulation 198/2001, require BC Transit to recognize non-capital government transfers into revenue in the period the restriction is met, and also require BC Transit to recognize government transfers for the acquisition of capital assets into 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 into revenue. The impact of this difference on the consolidated financial statements of BC Transit is as follows:

As at March 31, 2017 – decrease in annual surplus (deficit) by \$2,461 (2016 – 594,846).

March 31, 2017 – increase in accumulated surplus by \$218,376 (2016 – \$220,837), a decrease in deferred capital contributions by \$196,737 (2016 - \$202,858), and a decrease in deferred revenue and contributions by \$21,639 (2016 - \$17,979).

## **BRITISH COLUMBIA TRANSIT**

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for 2016

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### **19. Investment in Transportation Property and Casualty Company Inc:**

In January 2010, the Board of Directors approved the withdrawal from the Transportation Property and Casualty Company Inc. Program ("TPCCP"). As a replacement to TPCCP, BC Transit procured a comprehensive stand-alone insurance coverage program effective April 1, 2010 which is renewed annually. Claims which have been registered and served prior to the withdrawal from the TPCCP program, continue to be settled in an orderly manner and BC Transit will continue to monitor these claims. \$1,828 (2016 - \$1,816) remains in cash equivalents to offset other potential future claims. See Note 12 for further details regarding unsettled claims.

### **20. Economic Dependency:**

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

### **21. Comparative figures:**

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

### **22. Subsequent events:**

On May 30, 2017 BC Transit finalized the purchase of a property in Duncan, British Columbia for \$3,200. The property will be used for the purpose of constructing a new transit operations and maintenance facility to service the Cowichan Valley. The purchase was part of the long-term capital plan and will be funded by a combination of provincial and local government contributions.

### **Major Capital Projects**

BC Transit has no capital projects valued at over \$50 million.



## Appendix A – Subsidiaries and Operating Segments

The *BC Transit 2016/17 – 2018/19 Service Plan* did not include any information of BC Transit's active or inactive subsidiaries.

### Active Subsidiaries

| Subsidiary      | Incorporated | Date became dormant | Activity        |
|-----------------|--------------|---------------------|-----------------|
| 0928624 BC Ltd. | 23-Dec-11    | N/A                 | Rental property |
| 0925406 BC Ltd. | 17-Nov-11    | N/A                 | Rental property |
| 0922667 BC Ltd. | 13-Oct-11    | N/A                 | Rental property |
| 0915866 BC Ltd. | 19-Jul-11    | N/A                 | Rental property |

### 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.

## Appendix B – Additional Information

### Corporate Governance

BC Transit's enabling statute, the *British Columbia Transit Act*, can be found on the [BC Laws Web site](#).

BC Transit's mandate, as provided in Section 3.1 of the enabling statute, can be found on the [BC Laws Web site](#).

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BC Transit's vision, mission, and values can be found at [http://bctransit.com/\\*/about](http://bctransit.com/*/about).

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BC Transit's business areas are guided by the following major priorities which can be found at [http://bctransit.com/\\*/corporate-reports/strategic-plan-2030/proposal/priorities](http://bctransit.com/*/corporate-reports/strategic-plan-2030/proposal/priorities).

BC Transit's business areas include a wide range of management services that benefit all of the transit systems in the province. Information about this shared services model can be found at [http://bctransit.com/\\*/corporate-reports/bc-transit-advantage](http://bctransit.com/*/corporate-reports/bc-transit-advantage).

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BC Transit's principal partners, clients, and stakeholders in the Capital Regional District can be found at [http://bctransit.com/\\*/about/funding-and-governance/victoria](http://bctransit.com/*/about/funding-and-governance/victoria).

BC Transit's principal partners, clients, and stakeholders in other parts of the province (outside Metro Vancouver) can be found at [http://bctransit.com/\\*/about/funding-and-governance/regional](http://bctransit.com/*/about/funding-and-governance/regional).

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A description of how BC Transit's different types of transit services are delivered can be found at [http://bctransit.com/\\*/corporate-reports/strategic-plan-2030/today](http://bctransit.com/*/corporate-reports/strategic-plan-2030/today).

The scope of services BC Transit provides to the public can be found at [http://bctransit.com/\\*/about/facts/corporate](http://bctransit.com/*/about/facts/corporate).

BC Transit's corporate reports, including provincial Service Plans and Annual Reports, can be found at [http://bctransit.com/\\*/corporate-reports](http://bctransit.com/*/corporate-reports).

### Organizational Overview

The following hyperlinks provide information on BC Transit's system of governance.

The role and membership list of BC Transit's Board of Directors can be found at [http://bctransit.com/\\*/about/funding-and-governance/board-of-directors](http://bctransit.com/*/about/funding-and-governance/board-of-directors).

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The names and job titles of BC Transit's Senior Leadership Team can be found at [http://bctransit.com/\\*/about/executive](http://bctransit.com/*/about/executive).

BC Transit's governance principles and information about BC Transit's funding model can be found at [http://bctransit.com/\\*/about/funding-and-governance](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](http://bctransit.com/*/about/contact).

A list of BC Transit's transit systems can be found at [http://bctransit.com/\\*/choose-transit-system](http://bctransit.com/*/choose-transit-system).

## Performance Measure Definitions

### Optimize Service Effectiveness (transit system):

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

**Custom passenger trips per service hour** measures the effectiveness of, and the demand for, custom transit services as provided and is determined by dividing custom passenger trips by custom service hours (does not include taxi trips).

### Improve Revenue (corporate):

**Conventional operating cost recovery** measures the self-sufficiency and financial performance of the conventional transit system and is determined by dividing annual conventional passenger and advertising revenue by conventional operating costs.

**Custom operating cost recovery** measures the self-sufficiency and financial performance of the custom transit system and is determined by dividing annual custom passenger and advertising revenue by custom operating cost (includes taxi trip revenues and costs).

### Increase Cost Efficiency (corporate):

**Conventional operating cost per passenger trip** measures the efficiency of providing conventional transit service and reflects annual conventional operating cost divided by conventional passengers carried.

**Custom operating cost per passenger trip** measures the efficiency of providing custom transit service and reflects annual custom operating cost divided by custom passengers carried (includes taxi trip costs and passengers).

### Sustain Planning and Integration (corporate):

**Proportion of Transit Future Plans completed in major urban centres** measures the completion of planning to align local land use plans, including efforts to increase density and build more pedestrian and cycling paths, with investments in transit services and infrastructure.

**Percentage of communities that have had a service optimization review completed in the past five years** measures BC Transit's efforts to provide transit systems with timely reviews and recommendations to increase transit system efficiency and effectiveness. These may include discussion documents, service reviews, evaluations and others.

### Maintain Service Delivery (transit system):

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

### Enhance Information Effectiveness (corporate):

**Online communication strategy effectiveness** measures customers' perception of BC Transit's online communication and is determined by the average rating of customer tracking survey respondents when asked to rate the quality of the online information, ranging from one ("very poor") to five ("excellent").

**Build Awareness (corporate):**

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

**Expand Accessibility (transit system):**

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

**Custom service hours per capita** measures the amount of custom service provided, and is determined by the number of custom service hours delivered divided by the population that lives within 1 km of fixed route bus service (does not include taxi trips).

**Ensure Safety (corporate):**

**Number of passenger injury claims per million passenger trips** measures passenger safety with respect to travel-related injuries. The way in which this measure is calculated reflects passenger injury claims through ICBC and is consistent with industry standard.

**Workplace injuries per 100 employees** measures employee safety using the Total Recordable Injury Rate (TRIR). TRIR is a measure of the rate of recordable workplace injuries, normalized per 100 workers per year.

**Maintain Quality of Service (corporate):**

**Percentage of planned service delivered in conventional transit systems** measures the quality of transit service and is based upon the percentage of trips that delivered as scheduled.

**Reduce carbon intensity (transit system):**

**Carbon intensity per service hour** measures BC Transit's Greenhouse Gas Emissions (GHG). Carbon intensity is calculated using the Provincial Government's SMARTTool methodology and is measured by calculating the total emissions of BC Transit's fleet, facilities, and paper usage in carbon dioxide equivalent tonnes.

**Strengthen our People (corporate):**

**Employee engagement** measures an employee's involvement with, commitment to, and satisfaction with work. Engagement is assessed through a survey that models what aspects of the workplace influence employee engagement characteristics.

**Strengthen our Partnerships (corporate):**

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

## Appendix C – Crown Corporations Mandate and Actions Summary

In the 2016/17 Mandate Letter from the minister responsible, BC Transit received direction on strategic priorities for the 2016/17 fiscal year. These priorities and the Crown corporation's resulting actions are summarized below:

| Mandate Letter Direction  | Crown Corporation's Action  |
|---|---|
| <p>1. Align actions and activities in collaboration with local government partners, subject to Ministry fiscal funding allocations and local government affordability, that assist the Ministry in ensuring first and foremost that existing levels of transit services are maintained and the goals and objectives of B.C. on the Move are achieved, but that opportunities for funded expansion, particularly as related to HandyDART, are also identified.</p> | <ul style="list-style-type: none"> <li>• BC Transit worked with local partners to implement 2016/17 handyDART service expansion in Kamloops, Kelowna and Victoria and began preparations, including for bus acquisition and facility improvements, for anticipated service expansions in 2017/18.</li> <li>• BC Transit began efforts to implement inter-community bus services on Highway 16, from Prince George to Terrace. The first Highway 16 Inter-Community Transit Service began in January 2017, linking the communities of Smithers and Moricetown.</li> <li>• In accordance with <i>B.C. on the Move</i>, BC Transit continued the process of partnering with local communities to replace a substantial portion of its provincial fleet of buses including an extensive right-sizing effort which continued to ensure that replacement vehicles are appropriately sized and apportioned to meet ridership needs throughout the province.</li> </ul> |
| <p>2. Develop a strategy, for approval by the Minister, that identifies opportunities to deploy CNG buses in communities throughout the province and implement other green initiatives, to reduce GHG emissions and help achieve goals identified by BC's Climate Leadership Plan.</p>  | <ul style="list-style-type: none"> <li>• BC Transit expanded the deployment of CNG buses in the Nanaimo transit system and introduced CNG buses in the Kamloops transit system with CNG buses. Additionally, BC Transit worked to ensure that adequate infrastructure and service facilities will be in place throughout the province to support anticipated additional deployment of CNG buses.</li> </ul>   |
| <p>3. Continue undertaking business evaluations that result in cost saving efficiencies and expand ridership and revenue opportunities.</p>   | <ul style="list-style-type: none"> <li>• In collaboration with local government partners across the province, BC Transit continued to use System Performance and Future Priorities strategies developed for most transit systems to evaluate and optimize service levels.</li> <li>• BC Transit continued to implement a Fare Strategy aimed at simplifying local fare structures, products and policies to improve the usability of transit systems, operational efficiencies and fare revenue recoveries. A new fare strategy was successfully implemented in Victoria; current revenue forecasting trended upward and both ridership and</li> </ul>  |

| Mandate Letter Direction  | Crown Corporation's Action   |
|---|--|
|   | <p>revenue trends will continue to be monitored for impact. BC Transit has also established a three-year fare review schedule for transit systems across the province.</p> <ul style="list-style-type: none"> <li>• BC Transit continued to provide cost effective public transit services in partnership with local governments across the province.</li> </ul>   |
| <p>4. Align performance measures and targets to aid in the achievement of the goals and strategies documented in the Corporation's 2016/17 Service Plan.</p>  | <ul style="list-style-type: none"> <li>• BC Transit continued to implement performance measures and targets which aligned with, and aided in the achievement of, the goals and strategies documented in the 2016/17 Service Plan and to work with the Ministry to develop performance expectations with regard to the goals, objectives, strategies and policies outlined in the Service Plan.</li> <li>• BC Transit developed and implemented a new three-year Corporate Business Plan which connects annual performance initiatives and measures to corporate strategic goals and priorities identified in BC Transit's Strategic Plan.</li> </ul> |
| <p>5. Develop and share with the Ministry, by August 2016, a draft three-year annual operating budget and a draft ten-year capital budget and finalize these budgets by November 30, 2016, work with the Ministry to ensure that financial targets are achieved, meet the reporting requirements identified in the Ministry's budget letter to BC Transit and contribution agreements, accurately report quarterly forecasts and achieve a balanced budget for 2016/2017.</p> | <ul style="list-style-type: none"> <li>• Three-year annual operating budgets and ten-year capital budgets were finalized in cooperation with the Ministry to confirm financial targets.</li> <li>• Met financial targets and reporting requirements identified by the Province.</li> <li>• Achieved a balance budget for 2016/2017.</li> </ul>   |
| <p>6. As directed by the Minister through discussion with the BC Transit Board, implement recommendations from the Ministry of Finance Crown Agency Review.</p>   | <ul style="list-style-type: none"> <li>• The majority of the recommendations in the Crown Agency Review reinforced a number of initiatives already underway at BC Transit. BC Transit continued to work with its local government partners and the Ministry to implement recommendations directed at BC Transit.</li> </ul>  |