

BC Transit

**2020/21
Annual Service Plan Report**



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Board Chair's Accountability Statement

The *BC Transit 2020/21 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2020/21 – 2022/23 Service Plan* created in February 2020.

I am accountable for those results as reported.



Catherine Holt

Catherine Holt
Board Chair
August 12, 2021

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Letter from the Board Chair & CEO

In 2020/21, BC Transit provided essential transit service to the people of British Columbia in what became a challenging year due to the COVID-19 pandemic. BC Transit remained committed to the longer term goals and the priorities outlined in the government's [Mandate Letter](#) issued in January 2020, while at the same time focusing on short-term solutions in response to the prevailing needs caused by the pandemic.

In fall 2020, the Government of Canada and the Province of B.C. announced the provision of \$1.08 billion in Safe Restart funding, of which BC Transit received \$88.3 million to directly compensate local government partners for fare revenue losses and increased expenses resulting from COVID-19. The federal and provincial governments also recognized that stable, reliable and efficient transit service is expected to contribute to the economic recovery of communities, as well as help to address climate change, affordability and congestion across the province.

The pandemic had a dramatic impact on ridership, but BC Transit continued to work with local government partners to deliver reliable transit service across B.C. BC Transit continued to pursue its low carbon fleet program, working towards the target of a zero emission fleet by 2040. Progress continued on the procurement of BC Transit's first ten electric buses and design considerations for facility electrification have been integrated into the planning processes. A framework was established for enhancing engagement with Indigenous communities to better inform BC Transit's plans and projects with Indigenous knowledge, community needs and priorities.

In 2020/21, the BC Transit Board of Directors and senior leadership team focused on adapting and improving transit systems in B.C. in response to COVID-19. A ridership recovery strategy was developed to address emerging service needs, new cleaning standards were implemented and communication and technology enhancements continued to improve the customer experience for transit riders in our province. Throughout the year, BC Transit operators continued to work tirelessly to provide exceptional service to fellow essential workers. By the end of 2020, full-driver doors were installed on over 700 buses in BC Transit's fleet, providing a safer work environment for operators and a safer experience for customers.

Moving into recovery from the pandemic, BC Transit will work towards the goals within its Strategic Plan, [Transforming Your Journey](#) and continue to provide sustainable, safe public transit that is an affordable and inclusive transportation solution for all customers in British Columbia.

Catherine Holt



Board Chair, BC Transit
August 12, 2021

Erinn Pinkerton



President & CEO, BC Transit
August 12, 2021

Purpose of the Annual Service Plan Report

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

Purpose of the Organization

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

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

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

BC Transit also operates the conventional service in the Victoria Regional Transit System. The funding of transit service is provided by customer fares, advertising revenues, and regional motor fuel tax (in the Victoria system), and the remainder is funded through a partnership of local governments and the provincial government through BC Transit. Information about BC Transit's Corporate Governance is provided in Appendix A.

Strategic Direction

The strategic direction set by Government in 2017, and expanded upon in the Board Chair's [2020 Mandate Letter](#) from the Minister Responsible, shaped the goals, objectives, performance measures and financial plan outlined in the [2020/21 BC Transit Service Plan](#) and actual results reported on in this annual report.

The global COVID-19 pandemic resulted in many shifts in priorities, structures and operations across the public sector. Any changes to BC Transit's goals, objectives, performance measures or financial plan to align with the strategic direction established by Government in late 2020 are presented in the 2021/22 Service Plan.

Operating Environment

Throughout 2020/21, BC Transit remained an essential presence in communities across the province, helping students get to school, seniors get to medical appointments, and workers on the front lines of the pandemic get to hospitals and provide essential services. Although transportation patterns changed and transit ridership dropped by up to 80 per cent in the initial phase of COVID-19, by the end of 2020/21, it had recovered to more than 40-50 per cent of pre-pandemic levels and continues to increase.

New measures to protect customers and employees were put in place during the pandemic. These included new safety plans, the provision of employee personal protective equipment, enhanced cleaning, mandatory masks on board buses, full driver doors and, during the height of the pandemic, rear-door boarding without fare collection. Many employees transitioned to working from home, and technology was refined to achieve a successful remote work environment. A gradual return to office plan was developed, and modifications to spaces were developed to adapt to new ways of working together safely.

BC Transit continues to address the challenges that will exist long after the pandemic is over, including climate change, traffic congestion and affordability. Throughout 2020/21, BC Transit focused on responsible stewardship, using resources wisely and transitioning to a low-carbon fleet. In the past year, 60 Compressed Natural Gas (CNG) buses were added to the Victoria Regional Transit System, providing a quieter, greener transit experience. To support these new buses, new fueling infrastructure was installed at the Langford Transit Centre. In late 2020, a new transit operations and maintenance facility with a CNG fueling station was opened in the Central Fraser Valley.

BC Transit continued to focus on customers, investing in technology and engaging with communities to deliver an enhanced transit experience. In 2020, BC Transit partnered with Transit App as its endorsed mobility app, pairing it with NextRide and using BC Transit's schedule information to provide passengers with up to the minute information to help better plan their transit journey. BC Transit continued to make progress on the procurement of its electronic fare collection system, which will offer contactless payment and provide enhanced data to enable more informed planning and decision making.

As part of BC Transit's People and Culture Plan goals, the organization embarked on its equity, diversity and inclusion journey in 2020/21. To launch this, BC Transit held a virtual chat with its President & CEO which was attended by more than 300 employees. To support BC Transit's commitment to enhancing relationships with Indigenous communities, specialized training was provided to employees who are involved in engagement and relationship building with Indigenous communities. A public engagement strategy and toolkit was developed and BC Transit rolled out an online engagement platform, connecting with over 8,000 people across the province to seek feedback on transit planning.

BC Transit continued to manage its costs prudently in 2020/21 by continuously pursuing opportunities to optimize service levels and adjust them to changing ridership patterns. After successfully finalizing the Safe Restart agreement with the Province and forecasting ridership

demand, BC Transit worked with local government partners to develop and refine schedules for the coming years.

Throughout 2020/21, in what was a challenging year for communities and businesses in British Columbia, BC Transit continued to provide safe and reliable transit service. BC Transit worked collaboratively with other transportation sector providers, local governments, operating partners and the Province to rebuild ridership and will continue to do so moving into the post-pandemic recovery period.

Government's Economic Statement

British Columbia's economy declined in 2020, as the negative impacts from the COVID-19 pandemic pushed economies all over the world into deep recessions. B.C.'s real GDP contraction of 3.8 per cent was the fourth smallest among provinces (behind Prince Edward Island, Nova Scotia, and New Brunswick). The decline in B.C.'s real GDP was almost entirely driven by service-producing industries, while goods-producing industries had modest declines. Output in the arts, entertainment and recreation, accommodation and food services and transportation were some of the main drivers of the decrease in the service sector. In B.C.'s goods producing sector declines in manufacturing and natural resources were partially offset by increases in the construction sector. Employment in B.C. decreased by 6.6 per cent in 2020. However, wages and salaries remained relatively stable compared to 2019 as low wage workers accounted for the majority of job losses. Retail trade increased by 1.3 per cent in 2020, while consumer prices increased by 0.8 per cent. Residential construction activity slowed but remained relatively strong, with housing starts declining in 2020 after experiencing all-time highs in 2019. In contrast, after declining for three consecutive years home sales reached record levels in late 2020. On the external front, global international trade experienced significant disruptions as the pandemic unfolded. B.C.'s international merchandise exports contracted in 2020 reflecting a combination of weaker global demand and lower commodity prices.

Report on Performance: Goals, Objectives, Measures and Targets

Goal 1: Always Safe: BC Transit will put safety first in everything it does.

Objective 1: Safety: Maintain high levels of passenger and employee safety.

Key Highlights

- The implementation of closed-circuit television (CCTV) continues to have an impact on reducing the claims going to ICBC and the delivery of new buses through the fleet renewal program mitigates the risk of passenger falls through improved stanchion locations and lighting.
- By the end of 2020, full driver doors were installed on almost 700 buses in BC Transit's fleet, providing a physical barrier between operators and customers, leading to a safer work environment for transit operators.
- Ongoing training for supervisors and workers continues to raise awareness of injury risks in the workplace.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target ⁴	2022/23 Target ⁴
1.1a Passenger injury claims per million passenger trips ¹	1.5	1.5	2.9	1.3	1.1
1.1b Operator assaults per million passenger trips ²	0.9	0.3	0.6	0.2	0.1
1.1c BC Transit employees lost time injury rate ³	7.4	6.0	11.0	5.0	4.0

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

² Data source: BC Transit internal tracking data and reports from BC Transit operating partners

³ Data source: BC Transit internal tracking data; BC Transit employees only

⁴ These targets have been increased in the [2021/22-2023/24 BC Transit Service Plan](#) to reflect reduced ridership targets.

Discussion of Results

The passenger injury claims per million passenger trips has increased, however the actual injury numbers were 79 in 2019/20 compared to 89 in 2020/21. Even though ridership was lower due to COVID-19, the factors that cause on board injuries remained. These include sudden movements in the vehicle, moving while the bus is in motion and falling while accessing or egressing the bus.

The rate of operator assaults decreased in 2020/21 from the previous year, while falling short of target. Physical assaults against operators have reduced in numbers; however, instances of uttering threats rose in 2020/21, including some threats associated with mask usage. There was an 18 per cent overall reduction in physical assaults over last fiscal year. The employee lost time injury rate is being influenced by ongoing mental health and soft tissue injuries. In 2020/21, there was overall heightened anxiety and mental health considerations as a result of COVID-19, both for customers and employees.

Goal 2: Engaged People: BC Transit will support its people to achieve success.

Objective 2.1: Employee Engagement: Improve employee engagement.

Key Highlights

- The overall employee engagement score rose by six points in 2020/21.
- BC Transit’s Engagement and Culture Group (ECG), which liaises with senior leaders to turn employee feedback in the annual survey into actionable recommendations, continued to communicate with employees to let them know their feedback is valued and acted upon.

A ‘Technology for a Mobile Workforce’ project was launched in 2020/21. This mobile kit distribution, which includes laptop computers and headsets, allows employees to work remotely and safely.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
2.1a Employee engagement ^{1,2}	64	68	70	69 ²	70 ²

¹ Data Source: Annual Work Environment Survey

² Targets have been increased in the [2021/22-2023/24 BC Transit Service Plan](#) to reflect goal of continuous improvement

Discussion of Results

Employee engagement continues to grow and the measure exceeded the target as a result of the work of BC Transit’s ECG, and the actions set out in the 2020-2025 People and Culture Plan and the BC Transit Strategic Plan. In 2020/21, the recommendations from the annual Work Environment Survey led to the creation of more training and development opportunities in all areas of the organization and preparations to launch a leadership development program in 2021.

Goal 3: Satisfied Customers: Develop, deliver and continuously improve the transit services which customers and partners can rely on.

Objective 3.1: Ridership: Optimize the effectiveness of provincial transit service to serve more passenger trips.

Key Highlights

- Annual ridership was 56 per cent below target and 54 per cent below the previous year due to the pronounced effect of the COVID-19 pandemic in reducing transit demand.
- Demand for all modes of transit saw a drop from the previous year (conventional/fixed route service, custom service and paratransit service).
- In 2020/21, BC Transit began implementation of several initiatives designed to recover ridership, including optimizing service schedules to accommodate changing demand patterns, engaging with key activity centres (e.g. post-secondary schools) on ridership forecasting, and launching advertising campaigns that encourage riders to take transit.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target ³	2022/23 Target ³
3.1a Total ridership (passenger trips, millions), including taxi	58.7	60.8	27.0 ²	58.1	56.9
3.1b Total conventional ridership (passenger trips, millions)	56.4	58.4	25.9	55.8	54.7
3.1c Total paratransit ridership (passenger trips, millions), including taxis	1.2	1.3	0.7	1.2	1.2
3.1d Total custom ridership (passenger trips, millions), including taxis	1.1	1.2	0.4	1.1	1.1
3.1e Conventional passenger trips per service hour ¹	29.1	29.1	13.9	29.9	30.4
3.1f Paratransit passenger trips per service hour, excluding taxis ¹	6.3	6.3	3.8	6.3	6.7
3.1g Custom passenger trips per service hour, excluding taxis ¹	2.6	2.6	1.1	2.7	2.7

Data source: BC Transit internal tracking data

¹ Passenger trips per service hour measures the effectiveness of, and the demand for, transit services as provided and is determined by dividing passenger trips by service hours

² Total ridership (3.1a) may not be exactly equal to the sum of 3.1b, 3.1c and 3.1d due to the rounding of numbers

³ These targets have been decreased in the [2021/22-2023/24 BC Transit Service Plan](#) to reflect reduced ridership forecasts resulting from COVID-19.

Discussion of Results

The passenger trips per service hour for the conventional, custom and paratransit services were all below targets in 2020/21 and below the prior year due to the reduction in passenger demand in response to COVID-19, partially off-set by optimized service levels. Passenger trips per service hour is a measure of the effectiveness of provincially provided transit service. An example of service level optimization was where service was redistributed from areas with post-secondary institutions to other parts of the transit system to accommodate changing demand patterns and reduced vehicle capacity guidelines. The planned service expansions for 2020/21 were also deferred due to the COVID-19 pandemic.

By September 2020, service levels in most transit systems returned to pre-pandemic levels although with reduced passenger capacity levels to support health and safety. Passenger trips reached their lowest levels in April and May 2020 (20-30 per cent of 2019 levels) and gradually increased, ending the year at an average of 46 per cent of prior year level.

Objective 3.2: Customer Satisfaction: Provide a customer-oriented service.

Key Highlights

- The score for customer satisfaction is down overall, and BC Transit is working to rebuild trust and regain ridership lost during the COVID-19 pandemic.
- Victoria and Regional Operations launched dashboards in 2020/21 to monitor metrics such as on-time performance and service delivery with a view to improving performance, and, in turn, customer satisfaction.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target ²	2022/23 Target ²
3.2a Customer Satisfaction ¹	3.55	3.73	3.53	3.73	3.73
3.2b Customer Satisfaction – Custom Transit ¹	3.85	3.55	4.05	3.55	3.55

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

¹ Customer Satisfaction is determined by the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one ("very poor") to five ("excellent"). It currently does not distinguish between conventional and custom

² These targets have been decreased in the [2021/22-2023/24 BC Transit Service Plan](#) to reflect the ongoing work to rebuild customer confidence in transit and regain ridership lost during COVID-19.

Discussion of Results

In regards to the customer satisfaction score, overall customer feedback identified not having enough amenities at bus stops, frequency of scheduled service as well as bus connections wait times as reasons for the lower score.

Custom Transit customer satisfaction has increased, performing above the target for 2020/21. Custom transit users surveyed cited driver courtesy and helpfulness, vehicle safety as well as vehicle comfort and cleanliness as key drivers for the positive trending score.

Over 80 per cent of customers using custom services reported high levels of satisfaction, especially amongst medium and heavy users. Riders reported they generally felt comfortable and safe using custom services during the pandemic.

Objective 3.3: Service Delivery: Maintain a high quality of service.

Key Highlights

- Throughout 2020/21, BC Transit pursued opportunities to optimize service levels and adjust them to changing transit ridership patterns.
- Finalized Safe Restart agreement and worked with local government partners to develop and refine service schedules based on forecasted ridership demand.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
3.3 Planned service delivered in conventional transit systems	99.60%	99.90%	99.74%	99.90%	99.90%

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

Discussion of Results

In 2020/21 planned service delivered was higher than the prior year and slightly lower than the target. Planned service delivered in conventional transit systems is based upon the percentage of scheduled transit vehicle hours that are delivered.

During the initial weeks of the pandemic, some services were adjusted as BC Transit responded to changing operational conditions and demand patterns and made modifications to ensure the health and safety of customers and employees.

Goal 4: Thriving Communities: Work with local governments to improve livability and to provide transit service when and where people want it.

Objective 4.1: Proximity to Transit: Deliver operational excellence by expanding conventional, paratransit, and custom services in transit systems in communities across the province.

Key Highlights

- Service hours for all systems were lower than target as a result of the response to COVID-19.
- Planned 2020/21 service expansions were deferred which lowered the service hours per capita results compared to targets, as the number of hours delivered did not keep pace with population growth.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target ⁴	2022/23 Target ⁴
4.1a Conventional service hours per capita ¹	1.37	1.40	1.29	1.27	1.16
4.1b Paratransit service hours per capita ²	0.36	0.37	0.35	0.34	0.31
4.1c Custom service hours per capita ³	0.22	0.22	0.19	0.20	0.19

Data Source: BC Transit internal tracking data

¹ Conventional service hours per capita is determined by the number of conventional service hours delivered divided by the population that lives within 400m of fixed route bus service

² Paratransit service hours per capita is determined by the number of paratransit service hours delivered divided by the population that lives within 1,000m of fixed route bus service (includes taxi trips)

³ Custom service hours per capita is determined by the number of custom service hours delivered divided by the population that lives within 1,500m of fixed route bus service (includes taxi trips)

⁴ These targets have been changed in the [2021/22-2023/24 BC Transit Service Plan](#) to reflect that population is anticipated to increase faster than service hours.

Discussion of Results

Conventional, paratransit and custom service hours per capita, measured by level of transit service provided relative to the population living within a reasonable proximity of transit routes, were all below the targets identified for 2020/21. Service hours per capita is a measure of the amount of transit services available to residents of a service area. These results reflect the adjusted service levels provided in response to COVID-19 in the early part of 2020/21, and the deferred 2020/21 service expansions.

Objective 4.2: Partnerships: Strengthen partnerships by improving partner satisfaction and increasing engagement with Indigenous communities.

Key Highlights

- The Government Relations team has continued to be actively engaged in discussions pertaining to each local government partner’s different transit needs and expectations. This includes discussions on service expansions, infrastructure, funding and governance and is documented in annual and three-year reporting processes.
- 90 per cent of all transit systems have had a service review over the last five years.
- BC Transit rolled out its online engagement platform to enable continued collaboration with our communities. This facilitated nine public engagement processes in support of transit planning, resulting in engaging over 8,000 people across the province.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target	2022/23 Target
4.2 Partner Satisfaction	4.04	4.10	4.17	4.10	4.10

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

Discussion of Results

Partner satisfaction, a measure of local government partners’ perception of BC Transit’s customer service, went up in 2020/21, exceeding the target. Partner satisfaction is determined by the average rating of local government partner respondents when asked to rate their customer service received from BC Transit from one (“very poor”) to five (“excellent”).

With the Government of Canada and the Province of B.C. providing \$88.3 million in Safe Restart funding in 2020/21, BC Transit has worked with local government partners to maintain essential service levels supporting recovery from the COVID-19 pandemic, ensuring that people can get to jobs, to school and to access essential services.

The *Declaration on the Rights of Indigenous Peoples Act* and the Truth and Reconciliation Commission Calls to Action continues to drive efforts to expand BC Transit’s engagement with Indigenous communities. In 2020/21, BC Transit established a framework for enhancing relations with First Nations communities. As part of this work, best practices for engagement with First Nations communities were included in an updated engagement strategy and toolkit. Training was provided to BC Transit employees who are involved in engagement and relationship building with First Nation communities.

Goal 5: Responsible Stewards: Act as a responsible steward for the financial resources that it has been entrusted with.

Objective 5.1: Financial Management and Efficiency: Practice sound corporate financial management by focusing on corporate and administrative cost efficiencies.

Key Highlight

- Total operating expenses reflected additional COVID-19 related expenses offset by lower than forecasted fuel prices, optimized service hours and lower labour expenses.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target ³	2022/23 Target ³
5.1a Conventional operating cost per passenger trip ¹	\$4.00	\$4.15	\$8.94	\$4.28	\$4.42
5.1b Paratransit operating cost per passenger trip ¹	\$13.24	\$13.87	\$23.40	\$14.93	\$14.42
5.1c Custom operating cost per passenger trip ¹	\$28.57	\$28.02	\$69.18	\$29.01	\$29.30
5.1d Conventional operating cost per hour ²	\$110.30	\$120.58	\$124.55	\$128.15	\$134.20
5.1e Paratransit operating cost per hour, excluding taxis ²	\$81.10	\$91.74	\$92.48	\$98.41	\$101.84
5.1f Custom operating cost per hour, excluding taxis ²	\$83.39	\$92.84	\$92.56	\$99.21	\$102.30

Data Source: BC Transit financial system and audited financial statements

¹ Operating cost per passenger trip reflects annual operating cost divided by passengers carried. Note: paratransit and custom operating cost per passenger trip includes taxi trip costs and passengers

² Operating cost per service hour is determined by dividing the total direct operating expenses by the service hours.

³ These targets have been increased in the [2021/22-2023/24 BC Transit Service Plan](#) to reflect reduced ridership forecasts resulting from COVID-19.

Discussion of Results

Operating cost per passenger trip, a measure of the cost effectiveness of providing transit service, increased significantly compared to both target and prior year. While some operating costs were lower than expected due to savings in fuel, optimized service levels and taxi programs and vacancies in labour, this was offset by unbudgeted COVID-19 expenses. At the same time, passenger trips in all systems saw a significant reduction as a result of COVID-19, thus increasing the cost per trip metric.

Operating cost per service hour for all three service types increased significantly over the previous year in large part due to COVID-19 expenses. Additionally, many fixed costs (e.g. labour, service contracts, building leases) were spread over lower service hours in spring and summer 2020, thus increasing the operating cost per hour.

Objective 5.2: Greenhouse Gas Emissions: Be accountable for its environmental impact by reducing operational carbon emissions.

Key Highlights

- BC Transit continued to deliver its low carbon fleet replacement strategy in 2020/21 to support an overall reduction of GHG emissions, in line with provincial CleanBC targets.
- BC Transit received the initial proposals for the supply of heavy duty battery electric buses, chargers, design and construction in 2020/21, with the first project (10 buses) identified for the Victoria Regional Transit System expected to be in service in 2022/23.
- Design of the Victoria HandyDART facility progressed in 2020/21 and includes design considerations for facility electrification to support battery electric buses.
- In Q4 2020/21, 26 heavy duty CNG buses and nine medium duty CNG buses were delivered to Central Fraser Valley.

Performance Measure(s)	2019/20 Actuals	2020/21 Target	2020/21 Actuals	2021/22 Target ⁴	2022/23 Target ⁴
5.2a Total GHG emissions ^{1,3}	65,159	64,400	61,391	60,000	57,500
5.2b Carbon (GHG) intensity per service hour ^{2,3}	27.00	27.30	25.04	27.15	26.80

1 Data Source: BC Transit fuel, energy and paper consumption data as defined in scope by provincial regulation.

2 Data Source: BC Government Clean Government Reporting Tool data and BC Transit internal tracking data.

3 Unit of measure for GHG emissions is tonnes of carbon dioxide equivalent and carbon (GHG) intensity is kg of GHG per service hour.

⁴ These targets have been decreased in the [2021/22-2023/24 BC Transit Service Plan](#) to reflect service level changes, the most recent fleet plan, fuel efficiencies and average yearly kilometres travelled by each class of vehicle.

Discussion of Results

Both total GHG emissions and carbon (GHG) intensity per service hour measures were lower in 2020/21, achieving targets for the fiscal. Lower emissions were the result of expansion of the CNG fleet, increased supply of renewable diesel content in the fuel supply and optimized service hours as a result of the COVID-19 pandemic.

Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#). These can also be found on the BC Transit website bctransit.com/corporate-reports.

Discussion of Results

The following is management's discussion and analysis of the consolidated financial position and results of operations for BC Transit as of March 31, 2021. This management discussion and analysis should be read in conjunction with BC Transit's audited consolidated financial statements and related notes for the year ended March 31, 2021 included within this 2020/21 Annual Service Plan Report.

Highlights

The COVID-19 pandemic had significant financial impacts on both revenues and expenditures in 2020/21. Despite reduced fare revenues, increased COVID-19 related expenses and deferral of planned service expansions, BC Transit is in a strong position to support economic recovery through efficient delivery of affordable transit services, primarily as a result of the federal and provincial governments' Safe Restart funding program.

Total revenues recognized for the year ending March 31, 2021 were \$349.1 million, an increase of \$5.5 million from fiscal 2019/20 and \$19.0 million lower than budget. The increase in revenue from fiscal 2019/20 can be attributed to the provincial and federal governments Safe Restart funding of \$88.3 million. This one-time funding offset negative budget variances of \$39.3 million in fare revenues and \$61.5 million in local government contributions. The lower fare revenues were a result of a two-month suspension of fare collection to enable rear-door boarding, reduced ridership and optimized service levels throughout the year. The Safe Restart funding was provided to cover fare revenue losses, COVID-19 related expenses, and motor fuel tax revenue losses for the Victoria Regional Transit System.

Total operating expenses (excluding amortization and interest) for the year ending March 31, 2021 were \$281.6 million, an increase of \$6.6 million over 2019/20. This increase can be attributed to COVID-19 related expenses such as additional cleaning, safety precautions, and technology related expenses as well as inflationary increases on both labour and general operating costs. Total operating expenses (excluding amortization and interest) were \$13.6 million lower than budget. This can be attributed to lower than budgeted service hours, lower fuel use and prices, and labour savings due to vacancies partially offset by higher insurance costs and COVID-19 related expenses.

Amortization and interest expense for the year ending March 31, 2021, totaled \$68.5 million, an increase of \$.1 million from fiscal 2019/20 and \$7.2 million below budget. Amortization expense was lower than budget primarily due to delays to project in-service dates, COVID-19 related delays to planned service expansions and delays in the capital bus renewal program as compared to plan.

Financial Summary

Figures in \$ thousands	2019/20 Actual	2020/21 Budget	2020/21 Actual	2020/21 Variance Year over year (un)favourable	2020/21 Variance to Budget (un)favourable
Revenue					
Operations	83,396	85,245	45,944	(37,452)	(39,301)
Government Transfers					
Federal	-	-	45,251	45,251	45,251
Provincial	108,078	115,816	157,549	49,471	41,733
Local government ²	108,589	117,160	55,686	(52,903)	(61,474)
Deferred capital contributions	35,738	43,850	38,622	2,884	(5,228)
Investment & other income	7,732	6,057	6,027	(1,705)	(30)
Total Revenue	343,533	368,128	349,079	5,546	(19,049)
Expenses					
Operations					
Operations (excl. fuel)	156,220	166,010	157,124	(904)	8,886
Fuel	25,506	26,731	18,112	7,394	8,619
Amortization and interest	62,861	69,579	62,255	606	7,324
Total operations	244,587	262,320	237,491	7,096	24,829
Maintenance					
Fleet	50,922	53,846	58,496	(7,574)	(4,650)
Facilities	10,987	13,999	13,085	(2,098)	914
Amortization and interest	4,179	4,637	4,743	(564)	(106)
Total maintenance	66,088	72,482	76,324	(10,236)	(3,842)
Administration					
Administration	31,400	34,677	34,805	(3,405)	(128)
Amortization and interest	1,341	1,483	1,475	(134)	8
Total administration	32,741	36,160	36,280	(3,539)	(120)
Total Expenses	343,416	370,962	350,095	(6,679)	20,867
Annual Operating Surplus (Deficit)	117	(2,834)	(1,016)	(1,133)	1,818
Non-Operating Items					
Disposals, gain on investments & other	(515)	-	159	674	159
Contributions for land purchase	819	-	705	(114)	705
Total Non-Operating Items	304	-	864	560	864
Net Income (deficit)	421	(2,834)	(152)	(573)	2,682
Total Liabilities	589,001	591,333	642,612	(53,611)	(51,279)
Capital Expenditures	72,919	183,836	106,842	(33,923)	76,994
Accumulated Surplus	27,492	24,926	25,830	(1,662)	904

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

Note 2: Includes Provincial Health Authority and fuel tax funding

Variance and Trend Analysis

Passenger Trips and Service Hours

Changes in passenger trips are typically correlated with changes in service hours but were heavily impacted by the COVID-19 pandemic in 2020/21. Passenger trips are also impacted by other factors including service frequency and reliability, fare changes, investments in public transit facilities (transit exchanges, park & rides and technology) and general economic conditions such as employment, demographics, economic development, fuel prices and population changes.

Summary <i>Figures in thousands</i>	2017/18 Actual	2018/19 Actual	2019/20 Actual	2020/21 Actual
Service hours (000s)	2,334	2,425	2,463	2,339
% increase		3.9%	1.6%	(5.0)%
Passenger trips (000s)	54,114	57,374	58,679	26,958
% increase		6.0%	2.3%	(54.1)%

Passenger trip growth across the province was lower than in previous years due to substantially reduced demand and deferral of service expansion. The Victoria Regional Transit System (VRTS) and the Regional Transit Systems' (RTS) conventional passenger trips were 17.0 million and 15.6 million below budget respectively. Total custom/paratransit system passenger trips decreased and were below budget by 1.3 million and BC Bus North service was 3,000 passengers below budget. Overall passenger trips were down 31.7 million from the previous year and this is primarily attributable to the decrease in ridership from March 2020 onwards due to the COVID-19 pandemic.

Total service hours were lower year-over-year by 124,000 hours, or five per cent, due to reduced service levels in the spring and summer of 2020 in response to sharply reduced passenger demand due to COVID-19, and deferred 2020/21 service expansions. By September 2020, base service levels returned close to pre-pandemic levels.

Total Revenue

Transit service has historically been funded primarily through two funding parties, the provincial and local governments. In 2020/21, additional funding was provided from the federal and provincial governments in response to decreased fare collection due to the COVID-19 pandemic. Total revenues for the year ending March 31, 2021 were \$349.1 million, an increase of \$5.5 million over fiscal 2019/20 and \$19.0 million lower than budget. The total revenues were lower than budget due to deferred service expansions, lower service levels and ridership and decreased local government contributions. These revenue shortfalls were offset by the provincial and federal governments Safe Restart funding contribution of \$88.3 million.

The one-time contribution of \$88.3 million was provided to BC Transit under the federal Safe Restart program and the BC Restart Plan. This agreement, funded 50/50 by the federal and provincial governments, provides financial relief to local government partners and helps ensure that essential and affordable transit services continue through the COVID-19 pandemic recovery period. Under this agreement, local governments will limit average annual public fare increases to 2.3 per cent to March 31, 2024, and BC Transit will work with local governments to maintain essential service levels through 2022/23.

Operations Revenue

Operations revenue (passenger fares and advertising, including BC Bus Pass) for the year ending March 31, 2021 was \$45.9 million, a decrease of \$37.5 million over 2019/20 and \$39.3 million lower than budget. The decreases can be attributed to COVID-19 impacts such as the suspension of fare collection for the first two months of the fiscal year, reduced service levels and lower ridership throughout 2020/21.

Provincial

Provincial operating transfers to BC Transit are one of the highest in Canadian public transit systems and are based on contractual cost share formulas for both operating and capital expenditures. The provincial operating transfers for the year ending March 31, 2021 were \$157.5 million. The increase in provincial government transfers of \$49.5 million from fiscal 2019/20 is primarily attributable to Safe Restart funding of \$44.15 million to compensate for lost fare revenues from decreased ridership, lower motor fuel tax revenue for the Victoria Regional Transit System, and additional costs resulting from the COVID-19 pandemic.

Federal

Federal operating transfers for the year ending March 31, 2021 were \$45.3 million. This one-time federal government funding is primarily comprised of Safe Restart funding of \$44.15 million to compensate for lost fare revenues from decreased ridership, lower motor fuel tax revenue for the Victoria Regional Transit System, and additional costs resulting from the COVID-19 pandemic. In addition, funding of \$1.1 million was received for BC Bus North service.

Local Government

Local government transfers were \$55.7 million, a decrease of \$52.9 million from fiscal 2019/20 and \$61.5 million below budget. Revenues from operations offset local government transfers. Local government transfers were lower than budget as a result of the Safe Restart funding of \$88.3 million, offset by reduced operations revenue from the suspension of fare collection for the first two months of the fiscal year, reduced service levels and lower ridership throughout 2020/21.

Over the last several years, local government contributions were billed based on budgeted operating expenses. Any unspent local government contributions were held within an operating reserve and treated as deferred revenue. Net reductions to the operating reserves for the year ending March 31, 2021 were \$9.7 million. Effective April 1, 2021, BC Transit will bill local

governments for actual operating expenses. No additional operating reserves are planned going forward.

Additional contributions received from local governments that were not needed due to the Safe Restart funding have been placed in a Local Transit Fund Reserve fund. These will be used to offset future transit expenses and assist with post-pandemic recovery at the discretion of the contributing local government.

Deferred Capital Contributions

The amortization of deferred capital contribution revenues was \$38.6 million for the year ending March 31, 2021, an increase of \$2.9 million over fiscal 2019/20 and \$5.2 million lower than budget. The increase over prior year can be attributed to additional capitalized assets during the year. Contributions were lower than budget due to delays in timing of completion of capital projects primarily due to the COVID-19 pandemic.

Investment and Other Income

Investment and other income for the year ending March 31, 2021 was \$6.0 million, a decrease of \$1.7 million over fiscal 2019/20 and \$0.03 million under budget. This balance consists of interest earned on sinking funds, carbon credit sales, rental income on strategic properties held for long-term transit development being leased in the short-term, and other miscellaneous income.

Total Expenses

Total expenses are defined as the sum of all costs associated with the operation, maintenance and administration of transit service, including amortization and interest on debt for capital expenditures. Total expenses for the year ending March 31, 2021 were \$350.1 million, an increase of \$6.7 million over fiscal 2019/20 and \$20.9 million lower than budget.

The total expense increase over fiscal 2019/20 can be attributed to COVID-19 related expenses, increased expenses related to technology, year-end inventory adjustments and write-offs, and inflationary increases to wages and benefits.

The total expenses were lower than budget due to reduced service levels, deferred service expansions, lower than budget fuel prices and lower labour costs due to vacancies, this was partially offset by higher insurance costs and COVID-19 related expenses.

Operations Expense

Operations expenses (excluding fuel, amortization and interest) consist of the costs required to operate and manage transit systems including operator wages and benefits, third party contracted operations and other operational costs. Operations expenses (excluding fuel, amortization and interest) for the year ending March 31, 2021 were \$157.1 million, \$0.9 million over fiscal 2019/20 and \$8.9 million lower than budget. Expenses were lower than budget due primarily to lower service hours, labour vacancies and taxi program costs, offset by higher insurance costs and COVID-19 related expenses. Operations expenses increased over fiscal 2019/20 due to COVID-19 related expenses, and labour increases in line with PSEC guidelines and collective agreements.

Fuel Expense

Fuel expense for the year ending March 31, 2021 was \$18.1 million, a decrease of \$7.4 million over fiscal 2019/20 and \$8.6 million lower than budget. The decrease from fiscal 2019/20 is attributable to overall lower market rates for diesel fuel and lower fuel consumption based on lower service levels. For 2020/21, the average diesel fuel price was \$0.93 per litre, compared to a budget of \$1.13 per litre.

<i>Figures in thousands</i>	2019/20	2020/21	2020/21	Variance		Variance to	
	Actual	Budget	Actual	Year over year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Fuel	25,506	26,731	18,112	7,394	29.0	8,619	32.2

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

Maintenance Expense

<i>Figures in thousands</i>	2019/20	2020/21	2020/21	Variance		Variance to	
	Actual	Budget	Actual	Year over year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Maintenance							
Fleet	50,922	53,846	58,496	(7,574)	(14.9)	(4,650)	(8.6)
Facilities	10,987	13,999	13,085	(2,098)	(19.1)	914	6.5
Total Maintenance	61,909	67,845	71,581	(9,672)	(15.6)	(3,736)	(5.5)

Fleet Maintenance

Fleet maintenance expenses for the year ending March 31, 2021 were \$58.5 million, an increase of \$7.6 million over fiscal 2019/20 and \$4.7 million higher than budget. The increase over fiscal 2019/20 was attributed primarily to COVID-19 related expenses such as vehicle cleaning expenses, inventory adjustments and write-offs and planned labour increases.

Fleet maintenance expenditures are a function of fleet expansion, inflationary costs, fleet age and fleet diversity. Maintenance costs are incurred for repairs, major component overhauls and mid-life refits. These costs are largely a function of the age of the fleet (increasing costs of parts, labour and outside service providers) and the technological complexity of newer vehicles including increasingly stringent environmental standards. Maintenance costs are also impacted by exchange rates, higher shipping costs, diminishing options in the supply chain network and base commodity costs. Most parts originate from United States or European suppliers. BC Transit's fleet replacement and expansion capital plan will partly mitigate some of these cost pressures in future years.

As at March 31, 2021, BC Transit had 1,128 buses in service (not including contingency vehicles). The fleet is comprised of 68 high capacity buses, 523 heavy duty buses, 189 medium duty buses and 348 light duty buses.

Bus Type (2020/21)	Total	Victoria Region	Other Regions
High Capacity	68	68	0
Heavy Duty	523	191	332
Medium Duty	189	40	149
Light Duty	348	56	292
Total	1,128	355	773

At the time of this report:

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

Heavy duty buses purchased in 2009 or later are amortized over a 13 year period and medium duty buses purchased after 2014 are amortized over a 10 year period. These useful lives are consistent with industry standards.

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

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

Facilities Maintenance

Facilities maintenance expenses for the year ending March 31, 2021 were \$13.1 million, an increase of \$2.1 million over fiscal 2019/20 and \$0.9 million lower than budget. The increase from fiscal 2019/20 can be attributed to the opening of three new operations and maintenance facilities along with infrastructure feasibility studies in seven transit systems, increased CNG facility costs and warehouse leasing costs. The favourable variance from budget is primarily

attributable to the Victoria CNG equipment lease being capitalized and a delay in opening the Central Fraser Valley CNG station.

Many of BC Transit's operations and maintenance facilities are near the end of their useful lives, and require increasing repairs and modifications to meet the physical requirements of current and expanding service levels. In addition, a number of facilities are operating at or beyond their designed capacity and, as such, limit the expansion of services. Growth and expansion of the fleet will continue to put additional pressure on existing facilities. To address these constraints, BC Transit opened three new operations and maintenance facilities during 2020/21 in Campbell River, Cowichan Valley and Central Fraser Valley. These facilities were funded through federal, provincial and local government contributions provided through the Public Transit Infrastructure Fund.

Strategic planning initiatives are underway with a number of local partners in order to respond to capacity issues and transit service needs identified in the Transit Future Plans. In addition, planning initiatives are also underway that identify bus parking, maintenance and storage requirements, provide options for maximizing the capacity and efficiency of existing facilities, and identify improvements to transit priority measures, park and rides, and transit exchanges. These studies will identify recommendations for future infrastructure investments. Federal funding contribution is available through the Investing in Canada Infrastructure Program.

Administration Expense

<i>Figures in thousands</i>	2019/20	2020/21	2020/21	Variance		Variance to	
	Actual	Budget	Actual	Year over year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Administration	31,400	34,677	34,805	(3,405)	(10.8)	(128)	(0.4)

Total administrative expenses for the year ending March 31, 2020 were \$34.8 million, an increase of \$3.4 million over fiscal 2019/20 and \$0.1 million higher than budget. The increase from fiscal 2019/20 can be attributed to increased information system expenses, additional FTEs to support the Strategic Plan and third-party contract increases.

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

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

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

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

Debt Service

<i>Figures in thousands</i>	2019/20	2020/21	2020/21	Variance		Variance to	
	Actual	Budget	Actual	Year over year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Debt Service							
Interest	8,586	7,839	7,966	620	7.2	(127)	(1.6)
Amortization	59,795	67,860	60,507	(712)	(1.2)	7,353	10.8
Total Debt Service	68,381	75,699	68,473	(92)	(0.1)	7,226	9.5

Amortization and interest expense for the year ending March 31, 2021 was \$68.5 million, an increase of \$0.1 million from fiscal 2019/20 and \$7.2 million lower than budget. Amortization expense was lower than budget due to timing of completion of capital projects compared to forecast due to COVID-19 delays. Interest expense is comparable to budget.

Non-Operating Items

Loss on disposal of assets and investments was \$0.6 million as BC Transit worked to renew the aging bus fleet during the year and incurred other various project write-off costs.

Contributions for the purchase of land were received during the year totaling \$0.7 million. This revenue represents provincial and local funding for land acquired. Transit facilities will be constructed on the acquired properties to assist with meeting the increased demand for transit services in those communities.

Risks and Uncertainties

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

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

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

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

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

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

The pandemic risk materialized causing BC Transit to encounter operational challenges and increased costs in delivering services, and resulted in reduced ridership demand and fare revenue losses. BC Transit managed this risk by having emergency preparedness plans in place and by following the health guidance from the Province of BC and the Provincial Health Officer.

Additionally, the funding provided through the BC Safe Restart Agreement with the federal and provincial governments was instrumental in supporting the ongoing delivery of essential transit services across systems.

Capital Expenditures

The capital program and its related financing is a major driver on the Consolidated Statement of Financial Position. 2020/21 capital expenditures focused primarily on the acquisition of new buses and the ongoing refurbishment and replacement of major components on existing buses, as well as capital expenditures towards facility upgrades and completion of new operations and maintenance facilities in the Central Fraser Valley, Cowichan Valley, and Campbell River.

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

In 2016/17, additional funding opportunities were made available through the Public Transit Investment Fund ("PTIF") contribution agreement with the Province for projects eligible for Federal funding. The funding from this agreement has been allocated toward the acquisition and construction of transit infrastructure, buses, and technologies. Spending on these projects was completed in 2021/22.

In 2018/19, additional funding opportunities were also made available through the Investing in Canada Infrastructure Program ("ICIP") contribution agreement with the Province for projects

eligible for federal funding. Approved funding has been allocated toward the acquisition and construction of transit infrastructure, buses, and technologies. Program funding is available through to 2027/28.

The following illustrates the categories of capital project expenditures in fiscal 2020/21 (in thousands of dollars):

2020/21 Capital Projects	\$
Vehicle Projects	77,240
Exchanges, shelters and other transit infrastructure	964
Land	1,959
Other (IT, equipment, technology)	6,568
Buildings	20,111
Total Capital Expenditures in 2020/21	106,842

Capital expenditures were \$77.0 million below planned expenditures of \$183.8 million primarily as a result of COVID-19 related delays to projects. Vehicle projects spent \$49.6 million less than planned primarily due to cancellation of expansion as a result of the COVID-19 pandemic. Building projects spent \$11.6 million less than planned due to pandemic related project delays. Technology projects were \$14.9 million less than planned with various project related delays.

Liquidity and Capital Resources

Cash Flows and Liquidity

The net change in cash and cash equivalents in the year was an increase of \$25.3 million (2019/20 – increase of \$11.3 million). Net cash outflow for tangible capital assets was \$23.5 million, compared to \$21.5 million in 2019/20. This is defined as the difference between cash used to acquire tangible capital assets and the deferred capital contributions received.

Throughout 2020/21, BC Transit utilized its cash position to fund the net cash outflow for tangible capital asset additions. This deferred the requirement for fiscal agency loans. Management is expecting to acquire new fiscal agency loans in 2021/22 to fund the capital plan.

Debt

Total debt outstanding as at March 31, 2021 was \$148 million. This compares to \$167.1 million as at March 31, 2020. The decrease is due to a \$19.1 million repayment of a scheduled loan. Under the *British Columbia Transit Act*, BC Transit is subject to a \$500.0 million borrowing limit. The Minister of Finance, as BC Transit's fiscal agent, arranges financing at BC Transit's request. Debt has a weighted average interest rate of 5.34 per cent, maturing at various dates to 2040 and amortized from nine to 30 years.

Debt Sinking Funds

Investments in sinking funds, including interest earned, will be used to repay the related debt at maturity. Sinking fund balances at March 31, 2021 were \$93.9 million, as compared to \$110.1 million as at March 31, 2020. The decrease in debt sinking funds relates to a redemption of \$21.9 million during the period to repay loan sinking fund partially offset by installments of \$4.3 million paid into the fund, mark-to-market losses of \$1.5 million along with interest income earned of \$2.9 million. The overall portfolio of debt sinking funds remains in an accumulated gain position of \$6.5 million, compared to \$8.0 million as at March 31, 2019.

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

Working Capital Changes

The net increase in working capital for the year ending March 31, 2021 was \$29.9 million, an increase of \$14.8 million over 2019/20. The significant changes in working capital for the year ending March 31, 2021 can be attributed to a decrease in accounts receivable of \$4.7 million, a decrease of \$6.0 million in accounts payable and accrued liabilities offset by an increase to deferred revenue and contributions of \$39.8 million, an increase in change in accrued acquisition of tangible capital assets along with other minor changes. Accounts receivable has decreased in fiscal 2020/21 due to timely payment of contributions receivable from the provincial and federal governments as part of the PTIF and ICIP capital programs. The increase in deferred revenue is the result of local government transfers not utilized during the year due to the Safe Restart Funding from the provincial and federal governments.

Accumulated Surplus

Accumulated surplus as at March 31, 2021 was \$25.8 million, a decrease of \$1.7 million from March 31, 2020. The decrease in the accumulated surplus primarily relates to net mark-to-market decrease on debt sinking funds of \$1.5 million combined with the annual deficit of \$0.2 million.

Appendix A: Additional Information

Organizational Overview

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

<https://www.bctransit.com/about>

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

<https://www.bctransit.com/about/facts>

A list of transit systems can be found at:

<https://www.bctransit.com/choose-transit-system>

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

<https://www.bctransit.com/corporate-reports>

Corporate Governance

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

<https://www.bctransit.com/about/executive>

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

<https://www.bctransit.com/about/funding-and-governance>

Contact Information

For more information on BC Transit contact:

520 Gorge Road East
PO Box 9861
Victoria, B.C. V8W 9T5

250-385-2551

Or visit our website at

[bctransit.com](https://www.bctransit.com)

Appendix B: Subsidiaries and Operating Segments

Active Subsidiaries

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

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

Inactive Subsidiaries

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

Operating Segments

BC Transit has no operating segments.

Appendix C: Auditor's Report and Audited Financial Statements

Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

Year ended March 31, 2021

MANAGEMENT REPORT

Year ended March 31, 2021

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 27, 2021.

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

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

On behalf of BC Transit:



Erinn Pinkerton
President and Chief Executive Officer
May 27, 2021



Roland Gehrke, CPA CA
Vice President, Finance and Chief Financial Officer
May 27, 2021



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

Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Transit (BC Transit) as at March 31, 2021 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

What we have audited

BC Transit's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2021;
 - the consolidated statement of operations for the year then ended;
 - the consolidated statement of change in net debt for the year then ended;
 - the consolidated statement of remeasurement gains and losses for the year then ended;
 - the consolidated statement of cash flows for the year then ended; and
 - the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.
-

Basis for opinion

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

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

Independence

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

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

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



Emphasis of matter – basis of accounting

We draw attention to note 2(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 19 to the consolidated financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing BC Transit's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate BC Transit or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BC Transit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BC Transit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BC Transit to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BC Transit to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Surrey, British Columbia
May 27, 2021

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(In thousands of dollars)

March 31, 2021, with comparative figures for March 31, 2020

	March 31, 2021	March 31, 2020
FINANCIAL ASSETS	\$	\$
Cash and cash equivalents (Note 3)	54,104	28,842
Accounts receivable (Note 4)	62,401	67,055
Debt sinking funds (Note 7)	93,936	110,050
	210,441	205,947
LIABILITIES		
Accounts payable and accrued liabilities	30,813	36,855
Due to Province	641	926
Deferred revenue and contributions (Note 5)	127,934	88,174
Deferred capital contributions (Note 6)	312,384	273,811
Debt (Note 7)	147,981	167,051
Employee future benefits (Note 8)	22,859	22,184
	642,612	589,001
NET DEBT	(432,171)	(383,054)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	432,720	387,033
Inventories	18,324	16,671
Prepaid expenses	3,614	3,152
Prepaid lease payments	3,343	3,690
	458,001	410,546
ACCUMULATED SURPLUS		
Accumulated operating surplus	19,333	19,485
Accumulated remeasurement gains	6,497	8,007
	25,830	27,492

Measurement uncertainty, Commitments, contingent liabilities, contractual rights and significant event (Notes 2(i), 10, 11, 12 and 22).

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

Approved on behalf of the Board:



Catherine Holt, Chair
May 27, 2021



Blair Redlin, Director
May 27, 2021

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(In thousands of dollars)

Year ended March 31, 2021, with comparative figures for March 31, 2020

	Budget 2021 (Note 15)	March 31, 2021	March 31, 2020
REVENUE	\$	\$	\$
Operations	85,245	45,944	83,396
Government transfers:			
Federal (Note 13)	-	45,251	-
Provincial (Note 13)	115,816	157,549	108,078
Local government (Note 13)	117,160	55,686	108,589
Deferred capital contributions (Note 6)	43,850	38,622	35,738
Investment and other income	6,057	6,027	7,732
	368,128	349,079	343,533
EXPENSES (Note 14)			
Operations	262,320	237,491	244,587
Maintenance	72,482	76,324	66,088
Administration	36,160	36,280	32,741
	370,962	350,095	343,416
NET (DEFICIT) SURPLUS from operations	(2,834)	(1,016)	117
OTHER			
Disposal of capital assets			
Loss on disposal of capital assets	-	(648)	(1,322)
Other capital recoveries	-	585	495
Contributions for land purchase (Note 13)	-	705	819
Gain on investments	-	87	348
Other expenses (recovery)	-	135	(36)
	-	864	304
ANNUAL (DEFICIT) SURPLUS	(2,834)	(152)	421
Accumulated operating surplus, beginning of year	19,485	19,485	19,064
Accumulated operating surplus, end of year	16,651	19,333	19,485

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, 2021, with comparative figures for March 31, 2020

	Budget 2021 (Note 15)	March 31, 2021	March 31, 2020
	\$	\$	\$
Surplus (deficit) for the year	(2,834)	(152)	421
Acquisition of tangible capital assets	(183,836)	(106,842)	(72,919)
Amortization of tangible capital assets	67,860	60,507	59,794
Disposal of tangible capital assets	-	648	1,322
	(118,810)	(45,839)	(11,382)
Acquisition of inventories of parts	-	(27,214)	(29,259)
Consumption of inventories of parts	-	25,561	26,798
Acquisition of prepaid expenses	-	(11,061)	(10,185)
Consumption of prepaid expenses	-	10,599	10,183
Consumption of prepaid leases	-	347	352
	-	(1,768)	(2,111)
Realized gain reclassified to operations	-	(87)	(348)
Gain (loss) on portfolio investment	-	(1,423)	1,110
	-	(1,510)	762
Increase in net debt	(118,810)	(49,117)	(12,731)
Net debt, beginning of year	(383,054)	(383,054)	(370,323)
Net debt, end of year	(501,864)	(432,171)	(383,054)

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

BRITISH COLUMBIA TRANSIT

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

March 31, 2021, with comparative figures for March 31, 2020

	March 31, 2021	March 31, 2020
	\$	\$
Accumulated remeasurement gains, beginning of year	8,007	7,245
Unrealized (loss) gain on investments	(1,423)	1,110
Realized gain on investments, reclassified to Consolidated Statement of Operations	(87)	(348)
Accumulated remeasurement gains, end of year	6,497	8,007

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows
(In thousands of dollars)

March 31, 2021, with comparative figures for March 31, 2020

	March 31, 2021	March 31, 2020
Cash provided by (used for):	\$	\$
Operating transactions		
Annual (deficit) surplus	(152)	421
Non-cash charges to operations (Note 16)	23,204	25,131
Changes in non-cash operating working capital (Note 16)	29,880	15,120
Cash used for operating transactions	52,932	40,672
Capital transactions		
Proceeds on disposal of tangible capital assets	189	81
Cash used to acquire tangible capital assets	(101,071)	(72,049)
Cash used for capital transactions	(100,882)	(71,968)
Investing transactions		
Purchase of debt sinking funds and investments	(7,247)	(8,355)
Redemption of debt sinking funds and investments	21,938	2,180
Cash received (used) from investing transactions	14,691	(6,175)
Financing transactions		
Debt repaid	(19,070)	(1,828)
Capital contributions received	77,591	50,585
Cash received from financing transactions	58,521	48,757
Increase in cash and cash equivalents	25,262	11,286
Cash and cash equivalents, beginning of year	28,842	17,556
Cash and cash equivalents, end of year	54,104	28,842
Supplemental cash flow information		
Cash paid for interest	7,897	8,586
Cash received from interest	285	901

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, 2021, with comparative figures for March 31, 2020

1. Nature of Operations

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

BC Transit, on behalf of the Victoria Regional Transit Commission (“VRTC”), is responsible for the administration of all funds raised by certain tax levies. These funds are recorded as a liability and summarized in Note 5.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for the deferral of revenue recognition to future years, recognized for non-capital government transfers in the period the restriction the transfer is subject to is met and for capital transfers in income, systematically, over the useful life of the asset, rather than in the year the transfer was made. This results in differences in deferred contributions, deferred capital contributions and accumulated operating surplus on the consolidated statement of financial position, and the government transfers revenue and annual surplus on the statement of operations. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in Note 19.

(b) Basis of Consolidation

Consolidated Entities

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

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

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

2. Summary of Significant Accounting Policies (continued)

(c) *Deferred Contributions and Revenue Recognition*

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

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

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

See Note 19 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. Transit passes purchased in advance of services being performed are deferred and recognized in the month the service is delivered.

(d) *Investment Income*

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

(e) *Financial Instruments*

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

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

2. Summary of Significant Accounting Policies (continued)

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

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

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

(i) Cash and cash equivalents

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have no term and are held for the purpose of meeting short-term cash commitments, rather than for investing. They are reported at fair value and are measured using a Level 1 valuation.

(ii) Accounts receivable

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

(iii) Debt sinking funds

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

(iv) Debt and other financial liabilities

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

(f) Employee Future Benefits

- (i) BC Transit and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Multi-employer, jointly-trusted pension plans follow defined contribution pension plan accounting. Contributions are expensed as they become payable.
- (ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical), 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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

2. Summary of Significant Accounting Policies (continued)

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, 2021.

(g) *Liability for Contaminated Sites*

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

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

As at March 31, 2021, 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, 2021, with comparative figures for March 31, 2020

2. Summary of Significant Accounting Policies (continued)

(iii) *Interest capitalization*

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

(iv) *Inventories*

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

(v) *Impairment of tangible capital assets*

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

(vi) *Prepaid expenses and leases*

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

(vii) *Intangibles*

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

(i) **Measurement Uncertainty**

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

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

(j) **New Accounting Pronouncements**

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

Asset Retirement Obligations (PS3280): This new section will require recognition of a liability related to future costs of legal obligations to be incurred upon the retirement of controlled tangible capital assets. This section applies to fiscal years beginning on or after April 1, 2022. Management is in the process of assessing the impact of this standard.

Revenue (PS3400): This new section establishes standards on how to account for and report revenue arising from transactions that include performance obligations. This section applies to fiscal years beginning on or after April 1, 2023. Management is in the process of assessing the impact of this standard.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

3. Cash and Cash Equivalents

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

	2021	2020
	\$	\$
Cash	24,068	8,594
Cash equivalents	30,036	20,248
Cash and cash equivalents	54,104	28,842

4. Accounts Receivable

Accounts receivable are comprised of the following:

	2021	2020
Provincial:	\$	\$
Operating	8,879	3,521
Capital grants	22,795	19,494
	31,674	23,015
Federal:		
Operating	1,415	-
Capital grants	13,425	20,537
	14,840	20,537
Local governments	8,682	14,081
Trade and other	7,205	9,422
Accounts Receivable	62,401	67,055

5. Deferred Revenue and Contributions

Deferred service funding consists of operating contributions that have been received, but not yet earned.

Deferred contributions for assets relate to the operating costs and capital costs of assets required to provide transit service. Differences between contributions received and costs incurred are deferred and used to fund transit services in future periods.

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

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

5. Deferred Revenue and Contributions (continued)

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

	2021	2020
	\$	\$
Deferred service funding contributions	33,728	23,965
Deferred contributions for assets	43,445	46,533
Deferred Victoria Regional Transit Fund	50,140	17,080
Deferred sales	621	596
Total deferred revenue and contributions	127,934	88,174

Continuity of deferred service funding, contributions and revenue:

	2021	2020
Deferred service funding contributions:	\$	\$
Balance, beginning of year	23,965	45,769
Service funding contributions received	38,664	69,609
Service funding contributions applied	(28,901)	(91,413)
Balance, end of year	33,728	23,965
Deferred contributions for assets:		
Balance, beginning of year	46,533	34,947
Contributions received	23,833	39,910
Contributions used	(26,921)	(28,324)
Balance, end of year	43,445	46,533
Deferred Victoria Regional Transit Fund		
Balance, beginning of year	17,080	6,389
Revenue fuel tax received	16,433	19,421
Revenue property tax received	34,700	31,753
Investment and other income received	260	285
Transfer from deferred service funding	-	9,434
Government transfers	(18,333)	(50,202)
Balance, end of year	50,140	17,080
Deferred sales		
Balance, beginning of year	596	564
Amounts received	3,947	1,362
Amounts recognized as revenue	(3,922)	(1,330)
Balance, end of year	621	596
Balance, end of year	127,934	88,174

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

6. Deferred Capital Contributions

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

	2021	2020
	\$	\$
Balance, beginning of year	273,811	259,608
Contributions and other additions	77,591	50,585
Impairment and disposals of capital assets	(396)	(644)
Amortization	(38,622)	(35,738)
Balance, end of year	312,384	273,811

7. Debt

BC Transit's debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this guarantee. 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:

	2021	2020
Debt has a weighted average rate of 5.34%, maturing at various dates to 2040, amortized from nine to 30 years	\$147,981	\$167,051

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

	\$
2022	22,445
2023	28,736
2024	5,436
2025	4,911
2026	12,902
Thereafter	121,899

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes \$87 (2020 - \$348) 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:

	2021		2020	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Provincial bonds	74,525	81,024	81,807	89,774
Money market funds	12,914	12,912	18,797	18,797
Corporate bonds	-	-	1,439	1,479
Total	87,439	93,936	102,043	110,050

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

7. Debt (continued)

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

	\$
2022	3,971
2023	3,766
2024	3,456
2025	3,433
2026	3,433
Thereafter	10,894

In April 2017, BC Transit entered into an unsecured revolving credit facility with a Canadian financial institution totaling \$10 million. Interest on the credit facility is based on the prime lending rate which is a variable per annum reference rate of interest for loans made by the Bank of Canada in Canadian dollars. Interest accrues on a day-to-day basis. At March 31, 2021, the facility was not in use.

In November 2002, BC Transit entered into a loan agreement pursuant to section 54(1) of the *Financial Administration Act* with the Minister of Finance and Corporate Relations to lend a maximum principal amount not to exceed \$90 million in Canadian currency. Terms and conditions of the loan state the Minister will use reasonable commercial efforts to comply with the borrowing requirements of BC Transit; however, the terms and conditions of the loan are within the sole discretion of the Minister. The maximum term on the loan is one year and can be renewed for 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, 2021, BC Transit has not drawn on the facility.

8. Employee Future Benefits

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

Continuity of employee future benefits liability:

	2021	2020
Accrued benefit liability:	\$	\$
Balance, beginning of year	22,184	22,083
Current benefit cost and event-driven expense	1,295	547
Interest	354	405
Amortization of actuarial gain	(653)	(478)
Benefits paid	(321)	(373)
Balance, end of year	22,859	22,184
Unamortized actuarial gain	(13,125)	(6,462)
Employee future benefit obligation	9,734	15,722

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2021, with comparative figures for March 31, 2020

8. Employee Future Benefits (continued)

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

	2021	2020
	\$	\$
Non-pension post-retirement benefits	6,310	12,865
Post-employment benefits	1,140	904
Continuation of long-term disability benefits	2,284	1,953
Total employee future benefit obligation	9,734	15,722
Unamortized actuarial gain	13,125	6,462
Employee future benefit liability	22,859	22,184

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 12 years (2020 – 10 years) for post-employment benefits and 12 years (2020 – 10 years) for post-retirement benefits.

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

	2021	2020
Discount rate	2.3% - 2.7%	2.3% - 2.9%
Expected future inflationary increases	2.6% - 5.2%	2.6% - 5.2%
Weighted average health care trend - end of year	6.3% in 2021 grading to 3.8% in and after 2040	6.5% in 2020 grading to 3.8% in and after 2040
Dental and MSP trend – end of year	4.0%	4.0%

Public Service Pension Plan

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly-trusted 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 137,745 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, 2020, indicated a funding surplus of \$2,667 million for basic pension benefits. The next valuation will be March 31, 2023.

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, 2021, for employer contributions was \$7,094 (2020 – \$6,234).

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9. Tangible Capital Assets

Cost	Balance, March 31, 2020	Additions	Disposals	Transfers	Balance, March 31, 2021
	\$	\$	\$	\$	\$
Land	28,850	-	-	1,959	30,809
Exchanges, shelters and other transit infrastructure	68,052	-	-	914	68,966
Buildings	89,889	-	-	40,731	130,620
Vehicles	521,101	-	(51,532)	70,026	539,595
Other equipment	84,114	-	-	1,259	85,373
Capital projects in progress	27,025	106,842	(65)	(114,889)	18,913
Total	819,031	106,842	(51,597)	-	874,276

Accumulated amortization	Balance, March 31, 2020	Disposals	Amortization	Transfers	Balance, March 31, 2021
	\$	\$	\$	\$	\$
Exchanges, shelters and other transit infrastructure	31,144	-	5,293	-	36,437
Buildings	31,958	-	3,702	-	35,660
Vehicles	313,526	(50,949)	46,395	-	308,972
Other equipment	55,370	-	5,117	-	60,487
Capital projects in progress	-	-	-	-	-
Total	431,998	(50,949)	60,507	-	441,556

Net book value	Balance, March 31, 2020	Balance, March 31, 2021
	\$	\$
Land	28,850	30,809
Exchanges, shelters and other transit infrastructure	36,908	32,529
Buildings	57,931	94,960
Vehicles	207,575	230,623
Other equipment	28,744	24,886
Capital projects in progress	27,025	18,913
Total	387,033	432,720

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year Ended March 31, 2021, with comparative figures for March 31, 2020

9. Tangible Capital Assets (continued)

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

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

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

Capital projects in progress having a value of \$18,913 (2020 - \$27,025) 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 \$648 (2020 - \$1,322) were written off. Interest capitalized for capital projects in 2021 was \$nil (2020 - \$nil).

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10. Commitments

BC Transit has entered into various contracts as part of the normal course of operations and capital programs. These consist of outstanding commitments from contracts for leased properties (Operating leases); construction projects and facility leases (Facilities), Vehicle purchases and contracts with operating partners for transit operations (Operating contracts). Amounts are as summarized below:

	2022	2023	2024	2025	2026
	\$	\$	\$	\$	\$
Operating leases	2,056	2,073	2,060	1,987	2,004
Facilities	8,107	881	881	881	881
Vehicle purchases	33,357	-	-	-	-
Operating contracts	6,026	6,168	6,312	6,461	6,613
Total	49,546	9,122	9,253	9,329	9,498

11. 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, 2021, management has determined that BC Transit has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the financial position of BC Transit.

BC Transit provides secured letters of credit where required for development permits or other activities. The letters of credit are held by a beneficiary who can request a draw on BC Transit's bank account for the specified amount in the event of non-compliance. At March 31, 2021, there were seven letters of credit outstanding for a total amount of \$2,746, none of which have been drawn upon.

12. Contractual Rights

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

- i. Funding for 66.67% of eligible expenses and 100% of incremental administrative costs of operating the Highway 16 inter-community transit service initiative to maximum contributions of \$520 per year to March 31, 2023.
- ii. Funding to acquire tangible capital assets as part of Canada and British Columbia's investing in Canada Infrastructure Program. Approved projects under the contribution agreement allow federal funding of up to \$72,216 and provincial funding of up to \$67,525 for future fiscal years to fund eligible expenditures incurred to December 31, 2027, as defined within the agreement.

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Notes to Consolidated Financial Statements
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13. Government Transfers

The transfers reported on the statement of operations are:

	2021	2020
Government transfers:	\$	\$
Provincial contributions:		
Operating transfers	157,549	108,078
Deferred capital contributions	25,412	25,018
Write-off of capital assets	236	644
Contributions for land purchase	604	819
	183,801	134,559
Federal contributions:		
Operating transfers	45,251	-
Deferred capital contributions	12,140	9,566
Write-off of capital assets	159	58
	57,550	9,624
Local government contributions:		
Transfers under cost share agreements	55,686	108,589
Deferred capital contributions	832	912
Contributions for land purchase	101	-
	56,619	109,501
Other:		
Deferred capital contributions	238	242
Total government transfers	298,208	253,926

In addition to the ongoing government funding programs, BC Transit signed a contribution agreement with the Province under the federal Safe Restart program and the BC Restart Plan. This agreement provided for \$88.3 million in a one-time contribution funded 50/50 by the Federal and Provincial governments to provide financial relief to Local Government Partners and help ensure that affordable transit services continue through the COVID-19 recovery period. Under this agreement Local Governments will limit average annual public fare increases to 2.3% and BC Transit will work with Local Governments to maintain essential transit service levels to March 31, 2024.

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14. Classification of Expense By Object

	Budget	2021	2020
	\$	\$	\$
Contracted management fees, wages and benefits	111,959	109,114	105,897
Salaries, wages and benefits	93,532	93,543	87,501
Amortization of capital assets	67,860	60,507	59,794
Fuel and lubricants	27,039	18,531	26,149
Fleet maintenance	20,545	23,621	21,410
Interest	7,839	7,959	8,586
Insurance	7,191	7,416	6,542
Facility maintenance	6,671	6,239	5,293
Information systems	6,582	5,949	4,772
Leases and taxes	5,461	4,683	4,754
Major projects and initiatives	1,970	1,230	259
Local government expenses	2,385	2,358	2,352
Marketing and communications	2,461	2,458	2,172
Taxi programs	2,622	546	2,285
Corporate expenses	3,921	4,110	2,972
Contracted and professional fees	1,615	1,526	1,684
Travel and meetings	1,309	305	994
Total operating expenses	370,962	350,095	343,416

15. Budget Data

The budget data presented in these consolidated financial statements was included in the 2020/21-2022/23 Service Plan approved by the Board of Directors on January 30, 2020, and by the Government of British Columbia on February 18, 2020.

16. Additional Information For the Statement of Cash Flows

	2021	2020
Non-cash charges to operations:	\$	\$
Amortization of tangible capital assets	60,507	59,794
Amortization of prepaid lease	347	352
Gain on the disposal of debt sinking funds	(87)	(348)
Loss on the disposal of tangible capital assets	63	597
Amortization of deferred capital contributions	(38,622)	(35,738)
Long-term disability benefits expense	996	474
	23,204	25,131
Changes in non-cash operating working capital:		
Accounts receivable	4,655	16,934
Accounts payable and accrued liabilities	(6,043)	461
Due to Province	(285)	926
Deferred revenue and contributions	39,760	505
Employee future benefits	(321)	(373)
Inventories	(1,653)	(2,461)
Prepaid expenses	(462)	(2)
Net change in accrued acquisition of tangible capital assets	(5,771)	(870)
	29,880	15,120

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year Ended March 31, 2021, with comparative figures for March 31, 2020

17. Financial Instruments

(a) Fair Value

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

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

(b) Risks Associated With Financial Assets and Liabilities

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

Market Risk

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

Commodity Price Risk

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

Interest Rate Risk

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

Foreign Exchange Risk

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

BRITISH COLUMBIA TRANSIT

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

Sensitivity Analysis

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

Estimated impact of a 1% change on annual surplus:	\$
Interest rate risk	220
Foreign exchange risk	459
Commodity risk (fuel)	216

Liquidity Risk

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long-term debt is disclosed in Note 7. Other commitments with future minimum payments are disclosed in Note 10.

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 and collectability of accounts receivable.

(c) Capital Disclosures

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

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

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

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18. Related-Party Transactions

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

As a Crown corporation of the Province, BC Transit and the Province are considered related parties. Provincial transactions and balances have been disclosed elsewhere in the financial statements (Note 13).

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

19. 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 198/2011, require BC Transit to recognize non-capital government transfers as revenue in the period the restriction is met, and also require BC Transit to recognize government transfers for the acquisition of capital assets as revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized as revenue. The impact of correcting this difference on the consolidated financial statements of BC Transit is as follows:

As at March 31, 2021, a decrease in deferred capital contributions by \$312,384 (2020 – \$273,811), and an increase in accumulated surplus by the same amounts.

For the year ended March 31, 2021, an increase in annual surplus by \$38,573 (2020 – increase by \$14,203).

20. 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 (2020 - \$1,828) remains in cash equivalents to offset other potential future claims. See Note 11 for further details regarding unsettled claims.

21. Economic Dependency

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

22. Significant Event

In March 2020, the World Health Organization declared a global pandemic related to the coronavirus disease known as COVID-19. The impacts to the economy have been far-reaching. BC Transit has been impacted with additional cleaning and safety expenses, decreased ridership and temporary cancellation of fare collection (March 19 to May 31, 2020). Federal and Provincial funding support was provided (Note 13).