

BC Transit

2021/22
Annual Service Plan Report

August 2022



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Board Chair's Accountability Statement



The *BC Transit 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. I am accountable for those results as reported.

Catherine Holt

Catherine Holt
Board Chair
August 8, 2022

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Letter from the Board Chair & CEO

In 2021/22, BC Transit continued to provide essential transit service to the people of British Columbia and remained focused on increasing ridership that declined at the onset of the COVID-19 pandemic. BC Transit progressed on its commitments outlined in the government's [Mandate Letter](#), issued in May 2021, while also responding to the ongoing pandemic and following Provincial Health Officer (PHO) direction.

Throughout the year, the BC Transit Board of Directors and senior leadership team led strategies to adapt to changing ridership patterns, while also focusing on the corporate priorities of enhancing the customer experience, expanding performance insights and data collection, integrating SmartBus technology and transitioning to a low-carbon fleet.

New technology enhancements such as expanding the NextRide automated vehicle location platform in more communities, planning and procurement for the Electronic Fare Collection System and contract negotiations for the first 10 battery electric buses were key initiatives in 2021/22. BC Transit also introduced programs to bring customers back to transit, including launching the provincial Free Transit for Children 12 and Under program in September 2021.

Another key priority was BC Transit's equity, diversity and inclusion (EDI) initiatives, including training programs, adopting a company vision for EDI and assembling a forum of employees to champion key initiatives. These actions focus on a welcoming workplace and planning for transit service enhancements that benefit all individuals through community engagement using gender-based analysis plus (GBA+) and understanding the transit needs of Indigenous communities.

Throughout 2021/22, BC Transit navigated the ongoing pandemic, with operators working on the frontlines to provide service to British Columbians as regular routines resumed. BC Transit worked to optimize service to match capacity to demand, while carrying out recruitment and retention campaigns to address the challenging labour market conditions.

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 residents and visitors in British Columbia.

Catherine Holt



Board Chair, BC Transit

August 8, 2022

Erinn Pinkerton



President & CEO, BC Transit

August 8, 2022

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, scheduling, 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 2020 and expanded upon in the Board Chair's [2021-22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the [2021/22 BC Transit Service Plan](#) as well as actual results reported on in this annual report.

Operating Environment

Throughout 2021/22, BC Transit continued to provide safe, reliable transit service to all those who needed it throughout the ongoing pandemic and responded to changing transit ridership patterns as British Columbians navigated the return to in-person activities. Transit ridership continued to recover after the initial declines from the pandemic and associated restrictions.

Ridership increased gradually in 2021/22, and at the end of the fiscal year, was at approximately 65-70 percent of pre-COVID ridership across BC Transit systems.

BC Transit continued to follow PHO restrictions and guidance, including mandating mask wearing on transit when required, and lifting the mask mandate in line with provincial direction. A mandatory COVID-19 vaccination policy came into effect for all BC Transit employees and contractors as of Nov. 29, 2021, to help prevent the spread of COVID-19 and keep employees, customers and communities safe.

Increasing ridership continued to be a large focus for the organization. The Free Transit for Children 12 and Under program was launched in B.C. in September 2021, offering complimentary bus travel to children in all BC Transit systems and helping create riders for life. There were two major service expansions in 2021/22, including the extension of the Fraser Valley Express (FVX) bus service to the Lougheed SkyTrain Station in Metro Vancouver, and the introduction of the Nanaimo-Cowichan Connector (NCX) interregional transit service. These two improvements will have an immediate impact on increasing transit ridership on Vancouver Island and in the Fraser Valley. BC Transit also began service on a new route between Se'ianew (Beecher Bay) First Nation and the West Shore with a connection to Victoria. Transit service was also expanded in many regions around the province, including Comox Valley, Kamloops, Kitimat, Prince George, Salt Spring Island, Squamish and qathet Regional District among others, to address community requests for more service or more vehicles.

BC Transit also remained focused on other ongoing societal challenges, including climate change, traffic congestion and affordability. In alignment with the [CleanBC Roadmap to 2030](#), BC Transit focused on actions to support mode-shift to public transit and active transportation, identifying opportunities to help increase the share of trips made by walking, cycling and transit to 30 per cent by 2030. The transition to a low carbon bus fleet continued, with 20 new Compressed Natural Gas (CNG) buses added in 2021/22 and the procurement of the first 10 battery electric buses well underway.

To enhance the customer experience, the NextRide automated vehicle location technology is being introduced to 19 more transit systems across the province, with three systems, including Cowichan, Port Alberni and Campbell River added in 2021/22 and the remainder following in 2022/23. This technology allows customers to see real-time bus locations along routes and identify predicted arrival times at any selected stop, and provides next stop announcements and displays onboard buses. In addition, the vendor for the Electronic Fare Collection system was selected, and the Umo platform will begin rolling out across the province in fall 2022, giving customers the ability to pay with a new mobile app, credit card, debit card, reloadable smart card or mobile wallet.

Other major projects underway include advancing the Victoria Regional RapidBus Implementation Strategy, planning for a new transit exchange at the University of Victoria, a study for a new multi-modal hub at Uptown in Victoria and planning for the new handyDART transit facility in View Royal. Engagement with Indigenous communities is ongoing for the new handyDART facility.

BC Transit managed its costs in 2021/22, and continuously pursued opportunities to optimize service levels to meet changing ridership patterns. In 2020/21, 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, increased expenses resulting from COVID-19, and motor fuel tax revenue losses for the Victoria Regional Transit System, supporting partners to maintain essential transit service levels in 2021/22. An additional \$28.1 million was provided to BC Transit in 2021/22 to support future service levels. Similar to many service and transportation industries, BC Transit faced a labour shortage and continued to focus on recruitment programs to attract and retain transit operators.

In 2021/22, BC Transit continued to make progress on its key strategic initiatives, as well as worked with local government partners, operating partners and the Province to increase ridership and support the return to in-person school, work and events as well as contribute to the economic recovery of British Columbia.

Government's Economic Statement

British Columbia's economic recovery strengthened in 2021. B.C.'s real GDP growth of 6.2 per cent was the second highest among provinces (behind Prince Edward Island), following a contraction of 3.4 per cent in 2020. Growth in B.C.'s real GDP was mostly driven by service-producing industries such as real estate, rental and leasing, healthcare and social assistance, and professional, scientific and technical services. Goods-producing industries also experienced growth with gains in most sectors, led by mining, quarrying and oil and gas extraction. While B.C.'s recovery broadened in 2021, it remained uneven as sectors such as accommodation and food services, and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market strengthened in 2021, with employment growth of 6.6 per cent while wages and salaries increased by 11.3 per cent. Consumer spending on goods remained at elevated levels and nominal retail sales posted overall growth of 12.6 per cent. Meanwhile, inflation grew throughout the year and increased by 2.8 per cent on an annual basis, largely due to supply-chain disruptions, resilient demand for goods and services, and high energy prices. Residential construction activity reached a record high in 2021, with housing starts increasing by 25.6 per cent. At the same time, home sales also reached a record high in 2021 while the average home sale price saw double-digit increases. On the external front, B.C.'s international merchandise exports grew by 36.0 per cent, reflecting a combination of the recovery in global demand and higher commodity prices amid impacts from the B.C. floods and landslides in November 2021.

Report on Performance: Goals, Objectives, Measures and Targets

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

Objective 1.1: Safety: Maintain high levels of passenger and employee safety.

Key Highlights

- Ongoing driver safety training continues to have a positive impact in driver practices, such as avoiding unnecessary hard braking.
- The implementation of full driver doors on buses, providing a physical barrier between operators and customers, is leading to a safer work environment for transit operators.
- Safety training and ergonomic awareness programs continue to provide information about injury risks in the workplace.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.1a Passenger injury claims per million passenger trips ¹	2.9	2.8	2.5	2.7	2.5
1.1b Operator assaults per million passenger trips ²	0.6	0.6	0.6	0.5	0.3
1.1c BC Transit employees lost time injury rate ³	11.0	7.0	6.0	6.5	6.0

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

Discussion of Results

The results for passenger injury claims per million passenger trips, operator assaults per million passenger trips and employees lost time injury rate all met or were favourable to target for 2021/22. Slips, trips and falls make up the majority of passenger injuries and safety training has focused on prevention of injuries through safe driver practices. BC Transit's corporate security department is working with local and provincial agencies to look at strategies to reduce violence on and around transit. BC Transit's employee lost time injury rate has gone down because of training on due diligence and injury investigation, a health and wellness fair that focused on muscular skeletal injury prevention, and improved yard management to reduce slip and fall injuries. Increased internal communications have focused on occupational health and safety.

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

Objective 2.1: Employee Engagement: Improve employee engagement.

Key Highlights

- BC Transit’s Engagement and Culture Group (ECG), a cross-section of employees from across the organization, liaises with senior leaders to turn employee feedback in the annual survey into actionable recommendations. ECG continued to communicate with employees in 2021/22 to let them know their feedback is valued and acted upon.
- BC Transit continued to implement its five-year People and Culture Plan. This plan is following three specific goals including growing employee engagement and communication, elevating People and Culture technology and supporting employee growth and development.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target²	2023/24 Target²
2.1a Employee engagement ¹	70	71	66	72	73

¹Data source: Employee survey.

²Target values for 2022/23 and 2023/24 were adjusted lower in the [2022/23 Service Plan](#) from those in the 2021/22 Service Plan based on 2021/22 Actual results.

Discussion of Results

The employee engagement score declined in the 2021 BC Transit Work Environment Survey. This follows a trend seen worldwide, where there is a strong link between external events such as the COVID-19 pandemic and lower employee engagement scores. BC Transit continues to respond to ECG’s recommendations for work environment improvements based on feedback in the survey. For example, these recommendations led to the launch of a leadership development program in 2021 and identified several quick wins for small but important improvements that have already been put in place.

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

- In 2021/22 BC Transit ridership continued to recover from the initial declines seen earlier in the pandemic. Annual ridership was 18 percent above target and 42 percent higher than the previous year due to significant passenger growth.

- Ridership recovery increased gradually in 2021/22 and at the end of the fiscal year, was at approximately 69 percent of pre-COVID ridership across BC Transit systems.
- Demand for all modes of transit saw an increase from the previous year, including conventional, custom and paratransit service.
- In 2021/22, 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 such as post-secondary schools on ridership forecasting, introducing the Free Transit for Children 12 and Under program and launching advertising campaigns that encourage people to take transit.
- Transit service was also expanded in many regions around the province, including Comox Valley, Kamloops, Kitimat, Prince George, Salt Spring Island, Squamish and qathet Regional District among others, to address community requests for more service hours or more vehicles. Interregional connections were added to increase ridership in the Fraser Valley and between Nanaimo and Cowichan.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target ⁴	2023/24 Target ⁴
3.1a Total ridership (passenger trips, millions), including taxi ^{1,3}	27.0	32.3	38.2	33.7	35.7
3.1b Total conventional ridership (passenger trips, millions)	25.9	31.0	36.8	32.2	33.8
3.1c Total paratransit ridership (passenger trips, millions), including taxis	0.7	0.7	0.8	0.8	1.0
3.1d Total custom ridership (passenger trips, millions), including taxis	0.4	0.6	0.6	0.7	0.9
3.1e Conventional passenger trips per service hour	13.9	15.9	19.5	20.5	22.4
3.1f Paratransit passenger trips per service hour, excluding taxis ^{2,3}	3.8	3.4	4.3	4.0	5.4
3.1g Custom passenger trips per service hour, excluding taxis ^{2,3}	1.1	1.4	1.7	1.6	2.1

¹Data source: BC Transit internal tracking data

²Data Source: 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

³Total 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

⁴Target values for 2022/23 and 2023/24 were adjusted higher in the [2022/23 Service Plan](#) from those in the 2021/22 Service Plan based on 2021/22 forecast results.

Discussion of Results

Ridership performance exceeded all targets for 2021/22. In the fourth quarter, ridership was impacted by a labour dispute in the Sea to Sky corridor of Whistler, Pemberton and Squamish. The key drivers of ridership recovery in 2021/22 were the improved economic activity with

easing of pandemic restrictions, post-secondary institutions returning to in-person classes and more people returning to office workplaces. In most of the larger BC Transit systems, planning or service optimization reviews were conducted to identify service changes to support increased ridership. There were two major service expansions implemented in 2021/22, including the extension of the Fraser Valley Express (FVX) to the Lougheed SkyTrain Station and the introduction of the Nanaimo-Cowichan Connector (NCX) interregional transit service. These two projects will have an immediate impact on increasing transit ridership on Vancouver Island and in the Fraser Valley. Provincial marketing campaigns continued throughout 2021/22 to focus on increasing ridership. The Free Transit for Children 12 and Under program is being monitored to determine estimated ridership increases and a school outreach program began in 2021/22.

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

Key Highlights

- BC Transit is continuing to work to rebuild trust and regain ridership lost during the COVID-19 pandemic, as well as attract new riders to transit.
- BC Transit is using on-time departure data to seek continual improvement and launched a Voice of the Rider customer panel to engage with customers.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
3.2a Customer Satisfaction ^{1,2}	3.53	3.60	3.50	3.60	3.60
3.2b Customer Satisfaction – Custom Transit ^{3,4}	4.05	3.55	3.85	3.55	3.55

¹Data source: Annual customer survey, conducted by a third party research firm. Target value for customer satisfaction in 2022/23 was adjusted lower in the [2022/23 Service Plan](#) from that in the 2021/22 Service Plan based on 2021/22 forecast results.

² Customer Satisfaction is determined by the average rating of customer tracking survey respondents when asked to rate their overall transit experience from one ("very poor") to five ("excellent"). It currently does not distinguish between conventional and custom.

³Target values for customer satisfaction – custom transit were adjusted higher in the [2022/23 Service Plan](#) from those in the 2021/22 Service Plan based on 2021/22 forecast results.

⁴ Customer satisfaction – Custom Transit is determined by the average rating of respondents when asked to rate their experience out of 100. This score is then converted to a mark out of five.

Discussion of Results

The score for customer satisfaction is down very slightly from 2020/21 and is just under the target. Reasons for the lower customer satisfaction score include concerns on wait times, trip duration, frequency of schedules, bus stop amenities and bus connections. The custom transit customer satisfaction score performed over the target in 2021/22, however it decreased from 2020/21. Custom transit customer satisfaction decreased based on the perception of hours of operation, wait times and the appointment scheduling process. The new Voice of the Rider panel will engage with customers to better understand their experience using transit.

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

Key Highlights

- BC Transit worked to optimize service in 2021/22 and adjust service to changing ridership patterns.
- Initiatives to address the transit operator shortage included enhanced recruitment campaigns, a career transition allowance and a referral bonus program.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
3.3 Planned service delivered in conventional transit systems ¹	99.7%	99.9%	98.1%	99.9%	99.9%

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

Discussion of Results

Planned service delivered in conventional transit systems was below target for 2021/22 due to a variety of factors. The labour dispute in the Sea to Sky corridor of Whistler, Pemberton and Squamish affected planned service delivered in the fourth quarter. Planned service delivered would have been 99.26% if all planned hours had been delivered in the Sea to Sky corridor. Like many service industries, BC Transit experienced a labour shortage in 2021/22, particularly for transit operators and maintenance employees, and experienced an increase in employees off sick during the Omicron variant wave. This resulted in limited reductions in scheduled service and unanticipated trip cancellations in some communities. To address this, BC Transit continued to focus on recruitment and retention of transit operators throughout 2021/22, including increasing marketing activities and attending job fairs. These efforts resulted in a steady increase in applications and new hires. Where possible, BC Transit adjusted transit service to better match demand.

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

- BC Transit was able to maintain overall transit service levels in 2021/22 due to Safe Restart funding provided by the Government of Canada and the Province, with the exception of services impacted directly by labour shortages in some conventional systems

and the labour dispute in the Sea to Sky corridor of Whistler, Pemberton and Squamish. In addition, some custom transit systems had lower service hours delivered due to lower than anticipated demand.

- BC Transit began services in 2021-22 on a new route between Sc'ianew (Beecher Bay) First Nation and Langford with a connection to Victoria, an extension of Fraser Valley Express to Lougheed SkyTrain Station and introduction of the Nanaimo-Cowichan Connector.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target ⁵	2023/24 Target ⁵
4.1a Conventional service hours per capita ^{1,2}	1.29	1.33	1.28	1.02	0.97
4.1b Paratransit service hours per capita ^{1,3}	0.35	0.36	0.34	0.35	0.33
4.1c Custom service hours per capita ^{1,4}	0.19	0.22	0.20	0.21	0.21

¹ Data source: BC Transit internal tracking data

² Conventional service hours per capita is determined by the number of conventional service hours delivered divided by the population that lives within 400m of fixed route bus service

³ 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)

⁴ 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)

⁵ Target values for 2022/23 and 2023/24 were adjusted higher in the [2022/23 Service Plan](#) from those in the 2021/22 Service Plan based on 2021/22 forecast results.

Discussion of Results

Conventional, paratransit and custom service hours per capita, measured by the level of transit service provided relative to the population living within a reasonable proximity of transit routes, were all below targets identified for 2021/22. Service hours per capita is a measure of the amount of transit services available to residents of a service area. The results reflect the challenges experienced in 2021-22 in meeting planned service hours in many communities due to labour shortages, the labour dispute in the Sea to Sky corridor, and lower demand in custom transit systems.

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

Key Highlights

- The BC Transit Government Relations team continued to be actively engaged in discussions regarding local government partners' transit needs and service considerations.

- BC Transit continued to engage with local communities to collaborate on service planning and service optimization.
- Several webinars were held with local government partners to deliver information about new programs and projects.
- BC Transit engaged with Indigenous communities for the new service between Sc’ianew (Beecher Bay) First Nation and Langford, and for the proposed handyDART facility in View Royal. Westbank First Nation was also engaged in workshops for a Digital On-Demand transit feasibility study.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target ²	2023/24 Target ²
4.2 Partner Satisfaction	4.17	4.10	4.48	4.10	4.10

¹ Data source: Annual partner survey, conducted by a third party research organization.

² Target values for 2022/23 and 2023/24 were adjusted higher in the [2022/23 Service Plan](#) from those in the 2021/22 Service Plan based on 2020/21 actual results.

Discussion of Results

Partner satisfaction is a measure of local government partners’ perception of BC Transit’s customer service and increased in 2021/22, performing well over 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”).

BC Transit continued to engage with local government partners on their transit service needs and held webinars on key topics such as NextRide and the new Electronic Fare Collection System.

The *Declaration on the Rights of Indigenous Peoples Act* and the Truth and Reconciliation Commission Calls to Action continue to drive efforts to expand BC Transit’s engagement with Indigenous communities. BC Transit engaged with Indigenous communities on key projects and services in 2021/22.

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 Highlights

- BC Transit continued to focus on cost efficiency by implementing initiatives to encourage ridership growth while also focusing on strategies to contain costs associated with fuel, labour, parts and maintenance.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
5.1a Conventional operating cost per passenger trip ^{1,2}	\$8.94	\$8.02	\$6.75	\$7.30	\$6.97
5.1b Paratransit operating cost per passenger trip ^{1,2}	\$23.40	\$27.84	\$22.63	\$24.81	\$19.58
5.1c Custom operating cost per passenger trip ^{1,2}	\$69.18	\$57.91	\$48.85	\$50.99	\$39.38
5.1d Conventional operating cost per service hour ³	\$124.55	\$127.67	\$131.72	\$149.61	\$156.45
5.1e Paratransit operating cost per service hour, excluding taxis ³	\$92.48	\$96.99	\$100.00	\$102.19	\$107.22
5.1f Custom operating cost per service hour, excluding taxis ³	\$92.56	\$93.31	\$96.36	\$97.14	\$98.00

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

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

³ Operating cost per service hour is determined by dividing the total direct operating expenses by the service hours.

Discussion of Results

Operating cost per passenger trip, a measure of the cost effectiveness of providing transit service, came in below (favourable to) the target for all modes, including conventional, paratransit and custom service. Operating costs were below target and passenger trips were significantly higher than target. Post secondary schools returned to in-person classes earlier than anticipated, contributing to passenger trips exceeding target.

Operating cost per service hour measures for conventional, paratransit and custom transit are over (unfavourable to) target for 2021/22, as this measure was affected directly by service hours provided. While operating costs were under budget by 1.2 percent, service hours were below target by 4 per cent. BC Transit continues to focus on cost efficiencies and initiatives to increase ridership.

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

Key Highlights

- BC Transit is working on the transition to a low carbon fleet, with the first 10 battery electric buses being procured.
- The design for the Victoria handyDART facility includes design considerations for facility electrification to support battery electric buses.
- BC Transit increased its Compressed Natural Gas (CNG) fleet, with 20 new CNG buses delivered in 2021/22.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target ³	2023/24 Target ³
5.2a Total GHG emissions ^{1, 2}	61,391	61,000	63,871	55,000	53,400
5.2b Carbon (GHG) intensity per service hour ^{1, 2}	25.04	24.60	26.04	26.00	26.00

¹ Data Source: BC Transit fuel, energy and paper consumption data as defined in scope by provincial regulation. BC Government Clean Government Reporting Tool data and BC Transit internal tracking data.

² Unit of measure for Greenhouse gas emissions (GHG) is tonnes of carbon dioxide equivalent and the unit of measure for carbon (GHG) intensity is kg of GHG per service hour.

³ Target values for 2022/23 and 2023/24 were adjusted lower in the [2022/23 Service Plan](#) from those in the 2021/22 Service Plan based on 2021/22 forecast results.

Discussion of Results

Greenhouse gas emissions (GHG) and carbon intensity per service hour measures were higher in 2021/22 compared to 2020/21 and over target. Targets are based on service hour and service delivery estimates, including forecasts of distance travelled and fuel consumed, and these estimates have experienced a significant amount of variation in the last few years with COVID-19 impacts. The colder winter months in 2021/22 and many facilities incorporating a higher proportion of outside air to mitigate COVID-19, resulted in more energy consumed by facilities. As BC Transit moves into a new fuel contract, there will be better assurance for forecasted numbers as bio-content of the fuel supply will be provided quarterly, rather than in March following the calendar year. The procurement for the first 10 battery electric buses started in 2021/22 and deployment in 2022/23 as part of the Low Carbon Fleet Program is expected to reduce GHG emissions in future years.

Financial Report

For the auditor's report and audited financial statements, [see Appendix C](#).

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, 2022. 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, 2022, included within this 2021/22 Annual Service Plan Report.

Highlights

Financial impacts of the COVID-19 pandemic continued through 2021/22. Primarily, BC Transit experienced challenges with labour shortages, supply chain issues and increasing fuel costs. On the other hand, revenues increased due to ridership recovery and the Provincial and Federal governments' contribution of an additional \$28.1 million in Safe Restart funding to

support Local Government transit systems to address continuing fare revenue shortfalls and COVID-19 related costs. With increases in ridership and additional Safe Restart funding, BC Transit is in a strong position to support economic recovery through efficient delivery of affordable transit services and growth in service hours in 2022/23 due to the annualization of 2021/22 service expansions.

Total revenues recognized for the year ending March 31, 2022 were \$376.2 million, an increase of \$27.1 million from fiscal 2020/21 and \$5.7 million lower than budget. The increase in revenue from the prior year can be attributed to additional operating revenues of \$16.7 million, additional recognition of deferred capital contributions of \$5.3 million, and a net increase of \$5.9 million in contributions from provincial, federal, and local governments. As compared to budget, the 2021/22 provincial and federal revenues reflect unplanned additional Safe Restart funding of \$28.1 million and a positive budget variance of \$11.0 million for operating revenue. These revenues ahead of plan, were partially offset by a negative budget variance of \$41.0 million for local government contributions.

Total expenses (excluding amortization and interest) for the year ending March 31, 2022 were \$302.5 million, an increase of \$20.9 million over 2020/21. Operating expenses increased \$16.4 million due to higher service hours, fuel price escalation, and other labour and contracted service cost increases. Maintenance expenses increased \$0.5 million due to inflation on parts and materials, and administration costs increased \$3.9 million due to expanded information systems, travel and additional employees and benefits.

Total expenses (excluding amortization and interest) were \$3.8 million below budget. Operations expense was \$3.1 million below budget due to savings from labour shortages, capitalization of the Island highway transit priority project, and the unanticipated ICBC rebate, partially offset by fuel cost increases. Amortization and interest expense for the year ending March 31, 2022, totalled \$73.6 million, an increase of \$5.1 million from the prior year and \$1.9 million below budget. Amortization expense was lower than budget primarily due to delays in the implementation of some projects in the capital plan.

Financial Summary

<i>Figures in thousands</i> As at March 31, 2022	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance Year over year (un)favourable	2021/22 Variance to Budget (un)favourable
Revenue					
Operations	45,944	51,619	62,656	16,712	11,037
Government Transfers					
Federal	45,251	695	14,644	(30,607)	13,949
Provincial	157,549	125,926	137,071	(20,478)	11,145
Local Government ²	55,686	153,676	112,673	56,987	(41,003)
Deferred capital contributions	38,622	44,834	43,961	5,339	(873)
Investment and other income	6,027	5,122	5,146	(881)	24
Total Revenue	349,079	381,872	376,151	27,072	(5,721)
Expenses					
Operations					
Operations (excl. fuel)	157,124	173,154	165,209	(8,085)	7,945
Fuel	18,112	21,587	26,476	(8,364)	(4,889)
Amortization and interest	62,255	70,721	68,812	(6,557)	1,909
Total operations	237,491	265,462	260,497	(23,006)	4,965
Maintenance					
Fleet	58,496	58,985	58,153	343	832
Facilities	13,085	13,875	13,972	(887)	(97)
Amortization and interest	4,743	3,145	3,117	1,626	28
Total maintenance	76,324	76,005	75,242	1,082	763
Administration					
Administration	34,805	38,733	38,732	(3,927)	1
Amortization and interest	1,475	1,672	1,674	(199)	(2)
Total administration	36,280	40,405	40,406	(4,126)	(1)
Total Expenses	350,095	381,872	376,145	(26,050)	5,727
Annual Operating Surplus (Deficit)	(1,016)	-	6	1,022	6
Non-Operating Items					
Disposals, gain on investments & other	159	-	(156)	(315)	(156)
Contributions for land purchase	705	-	216	(489)	216
Total Non-Operating Items	864	-	60	(804)	60
Net Income (deficit)	(152)	-	66	218	66
Total Liabilities	642,612	557,087	640,190	2,422	(83,103)
Capital Expenditures	106,842	113,029	66,768	40,074	46,261
Accumulated Surplus	25,830	29,720	20,846	(4,984)	(8,874)

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. Ridership trends in 2021/22 show partial recovery to pre-pandemic levels. 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>	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Actual
Service Hours (000s)	2,425	2,463	2,339	2,386
% increase		1.6%	-5.0%	2.0%
Passenger trips (000s)	57,374	58,679	26,958	38,232
% increase		2.3%	-54.1%	41.8%

Passenger trips grew due to recovery in demand and initiation of service expansion. The Victoria Regional Transit System (VRTS) and the Regional Transit Systems' (RTS) conventional passenger trips were 1.6 million and 4.1 million over budget respectively. Total custom/paratransit system passenger trips increased and were above budget by 189,000 and BC Bus North service was 1,000 passengers above budget. Overall passenger trips were up 11.3 million from the previous year and this is primarily attributable to ridership recovery since the onset of the COVID-19 pandemic. Easing of pandemic restrictions, post-secondary institutions returning to in-person classes and more people returning to their workplaces were key drivers of the ridership recovery.

Total service hours were higher year-over-year by 47,000 hours, or two percent. This was primarily due to recovery of service levels reduced in 2020/21 in response to COVID-19 and implementation of service hours for critical fixes to improve transit service in 2021/22. The total service hours in 2021/22 were 4 percent (99,000 hours) below budget due to labour shortages, lower demand in custom transit systems, and a labour disruption in Whistler/Squamish/Pemberton.

Total Revenue

Transit service has historically been funded primarily through two funding parties, the provincial and local governments. In 2021/22, additional funding was provided from the federal and provincial governments to support recovery from the financial impacts of the COVID-19 pandemic. Total revenues for the year ending March 31, 2022 were \$376.2 million, an increase of \$27.1 million over fiscal 2020/21 and \$5.7 million lower than budget. The total revenues were lower than budget because of lower service hours due to labour shortages and lower local

government contributions. These revenue shortfalls were offset by the provincial and federal governments' Safe Restart funding contribution of \$28.1 million and an increase in operations revenues.

The amended Safe Restart agreement was funded 50/50 by the federal and provincial governments, and provides additional financial relief to local government partners and helps ensure that essential and affordable transit services continue through the COVID-19 pandemic recovery period. This agreement extended the terms of the original agreement by one year, upholding the average annual fare increase to a maximum of 2.3 percent and maintenance of essential service levels to March 31, 2025.

Operations Revenue

Operations revenue (passenger fares and advertising, including BC Bus Pass and Free Transit For Children 12 and Under provincial contributions) for the year ending March 31, 2022 was \$62.7 million, an increase of \$16.7 million over 2020/21 and \$11.0 million over budget. The increases can be attributed to higher than budgeted ridership growth, Upass revenue, and advertising revenue as well as \$1.2 million in revenues from the Province for the Free Transit for Children 12 and Under program which started in September 2021.

Provincial

Provincial operating transfers to BC Transit are based on contractual cost share formulas for both operating and capital expenditures. The provincial operating transfers for the year ending March 31, 2022 were \$137.1 million, \$11.1 million over budget as a result of Safe Restart Funding of \$14.0 million, offset by lower contributions related to lower operating costs. The decrease in provincial government transfers of \$20.5 million from fiscal 2020/21 is primarily attributable to a reduction in Safe Restart funding of \$30.1 million partially offset by the Provincial portion of expenses which increased \$26.1 million as compared to prior year.

Federal

Federal operating transfers for the year ending March 31, 2022 were \$14.6 million. This is a decrease of \$30.6 million compared to prior year due to a decrease in Safe Restart funding which supports transit systems by compensating for lost fare revenues from decreased ridership and additional costs resulting from the COVID-19 pandemic. In addition, funding of \$0.6 million was received for BC Bus North service.

Local Government

Local government transfers were \$112.7 million, an increase of \$57.0 million from fiscal 2020/21 and \$41.0 million below budget. Local government transfers were lower than budget due to increased revenues from operations of \$11.0 million plus Safe Restart funding contributions of \$28.1 million. Local government transfers increased due to year-round fare collections, expanded service levels and increased ridership throughout 2021/22 as compared to prior year.

In fiscal 2020/21 and prior years, local government contributions were billed based on budgeted operating expenses. Any unspent local government contributions were held within an operating reserve. As of April 1, 2021, local government contributions were based on actual expenditures and the operating reserve is no longer required. Net reductions to the operating reserves for the year ending March 31, 2022 were \$8.7 million resulting in a \$nil balance in the fund at year end. The reserve account is now closed as 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 recovery from the pandemic at the direction of the contributing local government.

Deferred Capital Contributions

The recognition of deferred capital contributions was \$44.0 million for the year ending March 31, 2022, an increase of \$5.3 million over fiscal 2020/21 and \$0.9 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 implementation of the capital plan.

Investment and Other Income

Investment and other income for the year ending March 31, 2022 was \$5.1 million, a decrease of \$0.9 million over fiscal 2020/21 and on 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, 2022 were \$376.1 million, an increase of \$26.1 million over fiscal 2020/21 and \$5.7 million lower than budget.

The total expenses increase over fiscal 2020/21 can be attributed to higher service hours, fuel cost increases and approved labour, benefit, and contracted service provider increases, as well as inflationary increases to materials and supplies.

The total expenses were below budget due to lower than budgeted service hours caused by labour shortages, lower demand in custom transit systems, a labour disruption in Whistler/Squamish/Pemberton, the capitalization of the Island highway transit priority project and an unanticipated ICBC rebate.

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 for the year ending March 31, 2022, were \$165.2 million, \$8.1 million over fiscal 2020/21 and \$7.9 million lower than budget. Expenses were lower than budget due primarily to lower service hours, capitalization of the

Island Highway project, and significantly higher ICBC rebates. Operations expenses increased over fiscal 2020/21 due to labour increases in line with PSEC guidelines and collective agreements, additional FTEs to support customer service functions and higher service hours and taxi services, offset by lower insurance costs.

Fuel Expense

Fuel expense for the year ending March 31, 2022 was \$26.5 million, an increase of \$8.4 million over fiscal 2020/21 and \$4.9 million higher than budget. The increase from fiscal 2020/21 is attributable to overall higher market rates for diesel fuel and higher fuel consumption based on higher service levels. For 2021/22, the average diesel fuel price was \$1.34 per litre, compared to a budget of \$1.03 per litre. Fuel prices significantly increased during the year as a result of global instability in fuel markets. The price of diesel fuel ranged from \$1.15 early in the year to \$1.83 at year end.

<i>Figures in thousands</i>	2020/21	2021/22	2021/22	Variance Year		Variance to	
	Actual	Actual	Budget	over Year	over Year	Budget	Budget
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Fuel	18,112	26,476	21,587	(8,364)	(46.2)	(4,889)	(22.6)

BC Transit receives a volume discount from posted rack rates as a result of a successful fuel procurement process. 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, renewable natural gas and electric buses.

Maintenance Expense

<i>Figures in thousands</i>	2020/21	2021/22	2021/22	Variance Year		Variance to	
	Actual	Actual	Budget	over Year	over Year	Budget	Budget
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Maintenance							
Fleet	58,496	58,153	58,985	343	0.6	832	1.4
Facilities	13,085	13,972	13,875	(887)	(6.8)	(97)	(0.7)
Total	71,581	72,125	72,860	(544)	(0.8)	735	1.0

Fleet Maintenance

Fleet maintenance expenses for the year ending March 31, 2022 were \$58.2 million, a decrease of \$0.3 million over fiscal 2020/21 and \$0.8 million lower than budget. The decrease from fiscal 2020/21 was attributed primarily to COVID-19 related expenses and lower inventory adjustments and write-offs experienced in the prior year.

Fleet maintenance expenditures are a function of fleet expansion, inflationary costs, fleet age and fleet diversity. 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 outside of Canada and the global supply chain disruptions and raw material shortages have been causing increasing pressure and challenges on BC Transit’s operations and ability to maintain the fleet. BC Transit has been mitigating this risk where possible by leveraging preferred vendor arrangements and purchase of after-market parts when required.

As at March 31, 2022, BC Transit had 1,106 buses in service (not including contingency vehicles). The fleet is comprised of 67 high-capacity buses, 523 heavy duty buses, 187 medium duty buses and 329 light duty buses.

Bus Type (2021/22)	Total	Victoria Region	Other Regions
High Capacity	67	67	0
Heavy Duty	523	193	330
Medium Duty	187	37	150
Light Duty	329	56	273
Total	1,106	353	753

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, 2022 were \$14.0 million, an increase of \$0.9 million over fiscal 2020/21 and \$0.1 million higher than budget. The increase from fiscal 2020/21 can be attributed to the increased CNG facility costs and warehouse leasing costs. The variance from budget is primarily attributable to consulting costs associated with the Victoria facility master plan.

BC Transit's operations and maintenance facilities require ongoing 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. There have been historical record increases to the construction market pricing in recent years and this will further constrain BC Transit's ability to build new facilities.

Strategic planning initiatives continue with a number of local partners 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>	2020/21 Actual	2021/22 Actual	2021/22 Budget	Variance Year over Year		Variance to Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Administration (excluding amortization and interest)	34,805	38,732	38,733	(3,927)	(11.3)	1	0.0

Total administrative expenses for the year ending March 31, 2022 were \$38.7 million, an increase of \$3.9 million over fiscal 2020/21 and in line with budget. The increase from fiscal 2020/21 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>	2020/21	2021/22	2021/22	Variance Year over		Variance to Budget	
	Actual	Actual	Budget	Year	Year		
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Debt Service							
Interest	7,966	6,562	6,750	1,406	17.7	190	2.8
Amortization	60,507	67,041	68,788	(6,536)	(10.8)	1,745	2.5
Total Debt Service	68,473	73,603	75,538	(5,130)	(7.5)	1,935	2.6

Amortization and interest expense for the year ending March 31, 2022 was \$73.6 million, an increase of \$5.1 million from fiscal 2020/21 and \$1.9 million lower than budget. Amortization expense was \$1.7 million lower than budget due to delayed implementation of some capital projects and due to COVID-19 delays. Interest expenses were comparable to budget.

Non-Operating Items

Net losses on disposal of assets, investment gains, and other expenses totaled \$0.2 million as BC Transit worked to renew the aging bus fleet and incurred other minor write-off costs.

Contributions for the purchase of land were received during the year totaling \$0.2 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), supply chain risk, 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.

As a result of the COVID-19 pandemic and other global economic factors, BC Transit is exposed to increasing supply chain risks. Management mitigates supply chain risks through close management of critical and spare parts inventory levels, capital planning and asset management, and strategic procurement activities. Continued exposure to the supply chain risk has the potential to significantly delay capital project timelines, low carbon fleet implementation, service expansion timelines and increase operating and maintenance costs.

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, staffing shortages and increased costs in delivering services, and resulted in reduced ridership and fare revenue losses. BC Transit manages this risk by having emergency preparedness plans in place and by following provincial health guidance. Additionally, funding provided through the BC Safe Restart Agreement with the federal and provincial governments continues to be 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. 2021/22 capital expenditures focused primarily on the acquisition of new buses and the ongoing refurbishment and replacement of major components on existing buses.

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 2018/19, additional funding opportunities were made available through the Investing in Canada Infrastructure Program (“ICIP”) contribution agreement with the Province for projects eligible for Federal funding. To date, 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 2021/22 (in thousands of dollars):

2021/22 Capital Projects	\$
Vehicle Projects	48,749
Exchanges, shelters and other transit infrastructure	2,021
Land	191
Other (IT, equipment, technology)	5,505
Buildings	10,302
Total Capital Expenditures in 2021/22	66,768

Capital expenditures were \$46.2 million below planned expenditures of \$113.0 million. Vehicle projects spent \$22.3 million less than planned primarily due to adjustments in the timing and scope of new vehicle orders. Building projects spent \$14.3 million less than planned primarily due to pandemic related project delays and delays due to complex site conditions at the proposed Victoria handyDART operations and maintenance facility. Technology projects were \$7.3 million less than planned with various project related delays.

Significant IT Projects (over \$20 million in total)	Year of Completion	Project Cost to March 31, 2022 (\$m)	Estimated Cost to Complete (\$m)	Anticipated Total Cost (\$m)
Electronic Fare Collection System	2025/26	\$4.1	\$19.1	\$23.2
BC Transit has initiated a capital project to implement an Electronic Fare Collection System. This transformational project will improve the customer experience by introducing new forms of payments including mobile app and contactless credit cards.				

Liquidity and Capital Resources

Cash Flows and Liquidity

The net change in cash and cash equivalents in the year was a decrease of \$1.4 million. Net cash outflow for tangible capital assets is defined as the difference between cash used to acquire tangible capital assets and the deferred capital contributions received. This was \$20.6 million in 2021/22 as compared to \$23.5 million in 2020/21.

Throughout 2021/22, 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 2022/23 to fund the capital plan.

Debt

Total debt outstanding as at March 31, 2022 was \$132.0 million. This compares to \$148.0 million at March 31, 2021. The decrease is due to the scheduled repayment of three loans totalling \$16.0 million. 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 held at year end, has a weighted average interest rate of 5.21 per cent, maturing at various dates to 2040 and amortized from fifteen to thirty years.

Debt Sinking Funds

Investments in sinking funds, including interest earned, will be used to repay the related debt at maturity. Sinking fund balances at March 31, 2022 were \$77.7 million, as compared to \$93.9 million as at March 31, 2021. The decrease in debt sinking funds relates to redemption of \$17.7 million during the period to repay loan sinking fund partially offset by installments of \$4.0 million paid into the fund, mark-to-market losses of \$5.0 million along with interest income earned of \$2.6 million. The overall portfolio of debt sinking funds remains in an accumulated gain position of \$1.4 million, compared to \$6.5 million at March 31, 2021.

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 decrease in working capital for the year ending March 31, 2022 was \$0.4 million. The changes in working capital for the year can be attributed to an increase in accounts receivable of \$9.0 million due to Safe Restart funding, which was partially offset by receipt of capital funding, a decrease in deferred contributions of \$7.5 million as a result of planned use of reserves. These were offset by an increase of \$17.2 million in accounts payable and accrued liabilities due to timing of year end payment and payroll runs.

Accumulated Surplus

Accumulated surplus as at March 31, 2022 was \$20.8 million, a decrease of \$5.0 million from March 31, 2021. The decrease in the accumulated surplus primarily relates to net mark-to-market decrease on debt sinking funds of \$5.1 million partially offset by the annual surplus of \$0.1 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:

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Victoria, BC 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 Dissolved in 2021/22

Subsidiary	Incorporated	Date became dormant	Dissolution Date
TBC Properties Inc.	16-Nov-10	Incorporation	April 8, 2021
TBC Operations Inc.	16-Nov-10	Incorporation	April 8, 2021
TBC Vehicle Management Inc.	16-Nov-10	Incorporation	April 8, 2021

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, 2022

MANAGEMENT REPORT

Year ended March 31, 2022

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 25, 2022.

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 25, 2022



Roland Gehrke, CPA CA
Vice President, Finance and Chief Financial Officer
May 25, 2022



Independent auditor's report

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

Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Transit and its subsidiaries (together, BC Transit) as at March 31, 2022 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, 2022;
 - the consolidated statement of operations for the year then ended;
 - the consolidated statement of changes 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 the BC Transit in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Annual Service Plan Report.

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



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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 25, 2022

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(In thousands of dollars)

March 31, 2022, with comparative figures for March 31, 2021

	March 31, 2022	March 31, 2021
FINANCIAL ASSETS	\$	\$
Cash and cash equivalents (Note 3)	52,684	54,104
Accounts receivable (Note 4)	71,353	62,401
Debt sinking funds (Note 7)	77,686	93,936
	201,723	210,441
LIABILITIES		
Accounts payable and accrued liabilities	48,031	30,813
Due to Province	641	641
Deferred revenue and contributions (Note 5)	120,439	127,934
Deferred capital contributions (Note 6)	316,312	312,384
Debt (Note 7)	132,009	147,981
Employee future benefits (Note 8)	22,758	22,859
	640,190	642,612
NET DEBT	(438,467)	(432,171)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	431,031	432,720
Inventories	19,113	18,324
Prepaid expenses and deposits	6,174	3,614
Prepaid lease payments	2,995	3,343
	459,313	458,001
ACCUMULATED SURPLUS		
Accumulated operating surplus	19,399	19,333
Accumulated remeasurement gains	1,447	6,497
	20,846	25,830

Commitments, contingent liabilities and contractual rights (Notes 10, 11 and 12).

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

Approved on behalf of the Board:



Catherine Holt, Chair
May 25, 2022



Blair Redlin, Director
May 25, 2022

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(In thousands of dollars)

Year ended March 31, 2022, with comparative figures for March 31, 2021

	Budget 2022 (Note 15)	March 31, 2022	March 31, 2021
REVENUE	\$	\$	\$
Operations	51,619	62,656	45,944
Government transfers:			
Federal (Note 13)	695	14,644	45,251
Provincial (Note 13)	125,926	137,071	157,549
Local government (Note 13)	153,676	112,673	55,686
Deferred capital contributions (Note 6)	44,834	43,961	38,622
Investment and other income	5,122	5,146	6,027
	<u>381,872</u>	<u>376,151</u>	<u>349,079</u>
EXPENSES (Note 14)			
Operations	265,462	260,497	237,491
Maintenance	76,005	75,242	76,324
Administration	40,405	40,406	36,280
	<u>381,872</u>	<u>376,145</u>	<u>350,095</u>
NET SURPLUS (DEFICIT) from operations	-	6	(1,016)
OTHER			
Disposal of capital assets			
Loss on disposal of capital assets	-	(1,346)	(648)
Other capital recoveries	-	1,188	585
Contributions for land purchase (Note 13)	-	216	705
Gain on investments	-	34	87
Other (expenses) recovery	-	(32)	135
	-	60	864
ANNUAL SURPLUS (DEFICIT)	-	66	(152)
Accumulated operating surplus, beginning of year		19,333	19,485
Accumulated operating surplus, end of year		19,399	19,333

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, 2022, with comparative figures for March 31, 2021

	Budget 2022 (Note 15)	March 31, 2022	March 31, 2021
	\$	\$	\$
Surplus (deficit) for the year	-	66	(152)
Acquisition of tangible capital assets	(113,029)	(66,768)	(106,842)
Amortization of tangible capital assets	68,788	67,041	60,507
Disposal of tangible capital assets	-	1,416	648
	(44,241)	1,755	(45,839)
Acquisition of inventories of parts	-	(29,613)	(27,214)
Consumption of inventories of parts	-	28,824	25,561
Acquisition of prepaid expenses and deposits	-	(10,926)	(11,061)
Consumption of prepaid expenses and deposits	-	8,366	10,599
Consumption of prepaid leases	-	348	347
	-	(3,001)	(1,768)
Realized gain reclassified to operations	-	(34)	(87)
Unrealized loss on portfolio investment	-	(5,016)	(1,423)
	-	(5,050)	(1,510)
Increase in net debt	(44,241)	(6,296)	(49,117)
Net debt, beginning of year	(432,171)	(432,171)	(383,054)
Net debt, end of year	(476,412)	(438,467)	(432,171)

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, 2022, with comparative figures for March 31, 2021

	March 31, 2022	March 31, 2021
	\$	\$
Accumulated remeasurement gains, beginning of year	6,497	8,007
Unrealized loss on investments	(5,016)	(1,423)
Realized gain on investments, reclassified to Consolidated Statement of Operations	(34)	(87)
Accumulated remeasurement gains, end of year	1,447	6,497

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, 2022, with comparative figures for March 31, 2021

	March 31, 2022	March 31, 2021
Cash provided by (used for):	\$	\$
Operating transactions		
Annual (deficit) surplus	66	(152)
Non-cash charges to operations (Note 16)	23,965	23,204
Changes in non-cash operating working capital (Note 16)	(389)	29,880
Cash received from operating transactions	23,642	52,932
Capital transactions		
Proceeds on disposal of tangible capital assets	268	189
Cash used to acquire tangible capital assets	(69,402)	(101,071)
Cash (used) for capital transactions	(69,134)	(100,882)
Investing transactions		
Purchase of debt sinking funds and investments	(6,470)	(7,247)
Redemption of debt sinking funds and investments	17,705	21,938
Cash received from investing transactions	11,235	14,691
Financing transactions		
Debt repaid	(15,972)	(19,070)
Capital contributions received	48,809	77,591
Cash received from financing transactions	32,837	58,521
(Decrease) increase in cash and cash equivalents	(1,420)	25,262
Cash and cash equivalents, beginning of year	54,104	28,842
Cash and cash equivalents, end of year	52,684	54,104
Supplemental cash flow information		
Cash paid for interest	6,874	7,897
Cash received from interest	342	285

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, 2022, with comparative figures for March 31, 2021

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:

0915866 B.C. Ltd.
0922667 B.C. Ltd.

0925406 B.C. Ltd.
0928624 B.C. Ltd.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2022, with comparative figures for March 31, 2021

2. Summary of Significant Accounting Policies (continued)

During 2021, the following organizations were dissolved and are no longer consolidated into these financial statements:

TBC Vehicle Management Inc.

TBC Properties Inc

TBC Operations Inc.

(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, 2022, with comparative figures for March 31, 2021

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, 2022, with comparative figures for March 31, 2021

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:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) BC Transit is directly responsible or accepts responsibility; and
- (iv) a reasonable estimate of the amount can be made.

As at March 31, 2022, 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	3 – 40
Vehicles – including major components	2 – 20
Other equipment	2 – 25

(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.

(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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2022, with comparative figures for March 31, 2021

2. Summary of Significant Accounting Policies (continued)

(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) **Use of Estimates**

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:

(i) *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.

(ii) *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, 2022, with comparative figures for March 31, 2021

3. Cash and Cash Equivalents

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

	2022	2021
	\$	\$
Cash	42,472	24,068
Cash equivalents	10,212	30,036
Cash and cash equivalents	52,684	54,104

4. Accounts Receivable

Accounts receivable are comprised of the following:

	2022	2021
Provincial:	\$	\$
Operating	15,202	8,879
Capital grants	11,224	22,795
	26,426	31,674
Federal:		
Operating	14,327	1,415
Capital grants	8,851	13,425
	23,178	14,840
Local governments	13,009	8,682
Trade and other	8,740	7,205
Accounts Receivable	71,353	62,401

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2022, with comparative figures for March 31, 2021

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, interest and other grants received periodically. 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.

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

	2022	2021
	\$	\$
Deferred service funding contributions	19,016	33,728
Deferred contributions for assets	51,371	43,445
Deferred Victoria Regional Transit Fund	49,383	50,140
Deferred sales	669	621
Total deferred revenue and contributions	120,439	127,934

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2022, with comparative figures for March 31, 2021

5. Deferred Revenue and Contributions (continued)

Continuity of deferred service funding, contributions and revenue:

	2022	2021
Deferred service funding contributions:	\$	\$
Balance, beginning of year	33,728	23,965
Service funding contributions received	71,500	38,664
Service funding contributions applied	(86,212)	(28,901)
Balance, end of year	19,016	33,728
Deferred contributions for assets:		
Balance, beginning of year	43,445	46,533
Contributions received	35,169	23,833
Contributions used	(27,243)	(26,921)
Balance, end of year	51,371	43,445
Deferred Victoria Regional Transit Fund:		
Balance, beginning of year	50,140	17,080
Revenue fuel tax received	17,945	16,433
Revenue property tax received	34,635	34,700
Investment and other income received	408	260
Government transfers	(53,745)	(18,333)
Balance, end of year	49,383	50,140
Deferred sales:		
Balance, beginning of year	621	596
Amounts received	7,455	3,947
Amounts recognized as revenue	(7,407)	(3,922)
Balance, end of year	669	621
Balance, end of year	120,439	127,934

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Year Ended March 31, 2022, with comparative figures for March 31, 2021

6. Deferred Capital Contributions

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

	2022	2021
	\$	\$
Balance, beginning of year	312,384	273,811
Contributions and other additions	48,809	77,591
Impairment and disposals of capital assets	(920)	(396)
Amortization	(43,961)	(38,622)
Balance, end of year	316,312	312,384

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:

	2022	2021
Debt has a weighted average rate of 5.21%, maturing at various dates to 2040, amortized from 15 to 30 years	\$132,009	\$147,981

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

	\$
2023	28,736
2024	5,436
2025	4,911
2026	12,902
2027	42,964
Thereafter	78,935

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes \$34 (2021 - \$87) 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:

	2022		2021	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Provincial bonds	72,952	74,403	74,525	81,024
Money market funds	3,287	3,283	12,914	12,912
Total	76,239	77,686	87,439	93,936

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7. Debt (continued)

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

	\$
2023	3,766
2024	3,456
2025	3,433
2026	3,433
2027	3,186
Thereafter	7,708

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, 2022, 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. At March 31, 2022, the facility was not in use.

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:

	2022	2021
Accrued benefit liability:	\$	\$
Balance, beginning of year	22,859	22,184
Current benefit cost and event-driven expense	1,397	1,295
Interest	209	354
Amortization of actuarial gain	(1,263)	(653)
Benefits paid	(444)	(321)
Balance, end of year	22,758	22,859
Unamortized actuarial gain	(12,757)	(13,125)
Employee future benefit obligation	10,001	9,734

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8. Employee Future Benefits (continued)

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

	2022	2021
	\$	\$
Non-pension post-retirement benefits	6,128	6,310
Post-employment benefits	1,081	1,140
Continuation of long-term disability benefits	2,792	2,284
Total employee future benefit obligation	10,001	9,734
Unamortized actuarial gain	12,757	13,125
Employee future benefit liability	22,758	22,859

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 12 years (2021 – 12 years) for post-employment benefits and post-retirement benefits.

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

	2022	2021
Discount rate	2.5% - 3.3%	2.3% - 2.7%
Expected future inflationary increases	2.6% - 5.2%	2.6% - 5.2%
Weighted average health care trend - end of year	6.2% in 2022 grading to 3.8% in and after 2040	6.3% in 2021 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 140,745 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, 2022, for employer contributions was \$7,260 (2021 – \$7,094).

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Notes to Consolidated Financial Statements
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9. Tangible Capital Assets

Cost	Balance, March 31, 2021	Additions	Disposals	Transfers	Balance, March 31, 2022
	\$	\$	\$	\$	\$
Land	30,809	-	-	191	31,000
Exchanges, shelters and other transit infrastructure	68,966	-	(62)	823	69,727
Buildings	130,620	-	(1,340)	918	130,198
Vehicles	539,595	-	(26,628)	43,242	556,209
Other equipment	85,373	-	(234)	5,311	90,450
Capital projects in progress	18,913	66,768	(88)	(50,485)	35,108
Total	874,276	66,768	(28,352)	-	912,692

Accumulated amortization	Balance, March 31, 2021	Disposals	Amortization	Transfers	Balance, March 31, 2022
	\$	\$	\$	\$	\$
Exchanges, shelters and other transit infrastructure	36,437	(18)	5,312	-	41,731
Buildings	35,660	(1,172)	5,027	-	39,515
Vehicles	308,972	(25,542)	51,420	-	334,850
Other equipment	60,487	(204)	5,282	-	65,565
Total	441,556	(26,936)	67,041	-	481,661

Net book value	Balance, March 31, 2021	Balance, March 31, 2022
	\$	\$
Land	30,809	31,000
Exchanges, shelters and other transit infrastructure	32,529	27,996
Buildings	94,960	90,683
Vehicles	230,623	221,359
Other equipment	24,886	24,885
Capital projects in progress	18,913	35,108
Total	432,720	431,031

BRITISH COLUMBIA TRANSIT

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Year Ended March 31, 2022, with comparative figures for March 31, 2021

9. Tangible Capital Assets (continued)

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
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

Capital projects in progress having a value of \$35,108 (2021 - \$18,913) have not been amortized. Amortization of these assets will commence when the asset is available for service.

During the year, assets with a net book value of \$1,416 (2021 - \$648) were written off.

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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:

	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$
Operating leases	2,039	2,069	2,065	2,086	1,831
Facilities	32,067	881	915	881	881
Vehicle purchases	22,481	19,779	-	-	-
Operating contracts	9,019	6,405	6,553	6,663	6,780
Total	65,606	29,134	9,533	9,630	9,492

11. Contingent Liabilities

The nature of BC Transit's activities is such that there may be litigation pending or in process at any time. With respect to unsettled claims at March 31, 2022, 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, 2022, there were six letters of credit outstanding for a total amount of \$2,231 (2021 - \$2,746) none of which have been drawn upon.

12. Contractual Rights

BC Transit has three 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 \$69,783 and provincial funding of up to \$64,517 for future fiscal years to fund eligible expenditures incurred to December 31, 2027, as defined within the agreement.
- (iii) Receipt of carbon credits for meeting milestones in the progression of low-carbon fleet projects including the purchase of light and heavy duty buses and their charging infrastructure. The phased agreements grant up to 103,534 carbon credits through to December 31, 2025.

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13. Government Transfers

The transfers reported on the statement of operations are:

	2022	2021
Government transfers:	\$	\$
Provincial contributions:		
Operating transfers	137,071	157,549
Deferred capital contributions	27,631	25,412
Write-off of capital assets	627	236
Contributions for land purchase	96	604
	165,425	183,801
Federal contributions:		
Operating transfers	14,644	45,251
Deferred capital contributions	15,159	12,140
Write-off of capital assets	283	159
	30,086	57,550
Local government contributions:		
Transfers under cost share agreements	112,673	55,686
Deferred capital contributions	823	832
Contributions for land purchase	120	101
	113,616	56,619
Other:		
Deferred capital contributions	348	238
Write-off of capital assets	10	-
	358	238
Total government transfers	309,485	298,208

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. In 2021, 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.

In 2022, BC Transit signed an extension to the agreement with the Province funded 50/50 by the Federal and Provincial governments. This amendment provided an additional \$28.1 million in funding and extended the terms to March 31, 2025.

Included in operations revenue is \$11,685 (2021 - \$10,930) from the provincial government to pay fares for the BC Bus Pass and the Free Transit for Children 12 and Under programs.

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14. Classification of Expense By Object

	Budget	2022	2021
	\$	\$	\$
Contracted management fees, wages and benefits	117,396	113,450	109,114
Salaries, wages and benefits	101,182	101,587	93,543
Amortization of capital assets	68,788	67,041	60,507
Fuel and lubricants	21,689	26,949	18,531
Fleet maintenance	22,135	22,378	23,621
Interest	6,750	6,562	7,959
Insurance	8,412	6,436	7,416
Facility maintenance	6,442	6,657	6,239
Information systems	6,499	7,037	5,949
Leases and taxes	5,330	5,020	4,683
Major projects and initiatives	3,476	586	1,230
Local government expenses	2,425	2,401	2,358
Marketing and communications	2,920	2,693	2,458
Taxi programs	1,332	1,182	546
Corporate expenses	4,801	4,038	4,110
Contracted and professional fees	1,699	1,682	1,526
Travel and meetings	596	446	305
Total operating expenses	381,872	376,145	350,095

15. Budget Data

The budget data presented in these consolidated financial statements was included in the 2021/22-2023/24 Service Plan approved by the Board of Directors on February 24, 2021, and by the Government of British Columbia on April 20, 2021.

16. Additional Information For the Statement of Cash Flows

	2022	2021
Non-cash charges to operations:	\$	\$
Amortization of tangible capital assets	67,041	60,507
Amortization of prepaid lease	348	347
Gain on the disposal of debt sinking funds	(34)	(87)
Loss on the disposal of tangible capital assets	228	63
Amortization of deferred capital contributions	(43,961)	(38,622)
Long-term disability benefits expense	343	996
	23,965	23,204
Changes in non-cash operating working capital:		
Accounts receivable	(8,952)	4,655
Accounts payable and accrued liabilities	17,217	(6,043)
Due to Province	-	(285)
Deferred revenue and contributions	(7,495)	39,760
Employee future benefits	(444)	(321)
Inventories	(789)	(1,653)
Prepaid expenses and deposits	(2,560)	(462)
Net change in accrued acquisition of tangible capital assets	2,634	(5,771)
	(389)	29,880

BRITISH COLUMBIA TRANSIT

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(In thousands of dollars)

Year Ended March 31, 2022, with comparative figures for March 31, 2021

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.

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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	13
Foreign exchange risk	500
Commodity risk (fuel)	285

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, 2022, a decrease in deferred capital contributions by \$316,312 (2021 – \$312,384), and an increase in accumulated surplus by the same amounts.

For the year ended March 31, 2022, an increase in annual surplus by \$3,928 (2021 – increase by \$38,573).

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 (2021 - \$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 pandemic due to the coronavirus disease known as COVID-19. As a result, BC Transit has been impacted with supply chain issues, labour shortages, additional cleaning and safety expenses and decreased ridership. Additional Federal and Provincial Safe Restart funding was provided (Note 13) to support these challenges.