

**BC Transit**

**2022/23**

**Annual Service Plan Report**

**August 2023**



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## Board Chair's Accountability Statement



The BC Transit 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 – 2024/25 Service Plan published in 2022. The Board is accountable for those results as reported.

Signed on behalf of the Board by:

A handwritten signature in blue ink that reads "Sherri Bell". The signature is written in a cursive, flowing style.

Sherri Bell  
Board Chair, BC Transit  
August 23, 2023

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## Letter from the Board Chair & CEO

In 2022/23, BC Transit made progress towards rebuilding ridership to pre-pandemic levels and fulfilled its commitments as outlined in the Mandate Letter. The Board of Directors and senior leadership team implemented strategies to adjust to changing ridership patterns, while prioritizing the improvement of the customer experience and the integration of [SmartBus technology](#). BC Transit also focused on transitioning to a low-carbon fleet, financial stewardship, and engaging employees, partners and communities.

Notable initiatives included expanding the NextRide automated vehicle location platform in more communities, preparing for the launch of Umo, BC Transit's Electronic Fare Collection System, and preparing for the delivery of the first 10 battery electric buses. Additionally, the fare-free transit for children 12 and under program supported increased ridership and was promoted throughout the year, leading to positive feedback from customers. BC Transit also enhanced its Voice of the Rider customer survey program in 2022/23, which gathers valuable insights to improve the customer experience.

Throughout the year, BC Transit advanced its inclusion, diversity, equity, and accessibility (IDEA) initiatives. Employees were provided with several IDEA training sessions, and an inclusion survey was conducted to assess the workplace experience. BC Transit assembled a Gender Based Analysis Plus (GBA+) working group to improve the understanding of transit needs for diverse customers and communities. Additionally, Reconciliation work was advanced through the development of an Indigenous Relations strategy and the completion of an Indigenous employment roadmap.

In 2022/23, BC Transit was recognized for its work on the new View Royal handyDART facility, which achieved a SalmonSafe certification and EcoStar award. BC Transit also received national recognition from the Canadian Urban Transit Association (CUTA) with an award for its work in safety and security responding to emergency flood evacuations in Abbotsford, Merritt and Princeton. An award was also received for the marketing and communications of Transit Operator and Worker Appreciation Day.

BC Transit optimized services to meet demand while launching recruitment and retention campaigns to address challenging labour market conditions. As BC Transit continues to build back ridership, work will continue towards the goals outlined in the organization's five-year Strategic Plan, *Transforming Your Journey*, to provide safe, sustainable, and affordable public transit for all residents and visitors of British Columbia.



Sherri Bell  
Board Chair, BC Transit  
August 23, 2023



Erinn Pinkerton  
President & CEO, BC Transit  
August 23, 2023

## Purpose of the Annual Service Plan Report

This annual service plan report has been developed 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, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

## 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 BC Transit 2022/23 – 2024/25 Service Plan and the actual results reported on in this annual report.

## Purpose of the Organization

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation across British Columbia, except for 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'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.

## Operating Environment

BC Transit's primary focus throughout 2022/23 was to build back transit ridership towards pre-pandemic levels and continue to support communities across B.C. as they recovered from COVID-19. Following the initial ridership decline of up to 80 per cent at the beginning of the pandemic, as of March 2023, total ridership has recovered to an average of 84 per cent compared to 2019/20 levels.

In fall 2020 and March 2022, the Government of Canada and the Province of B.C. announced the provision of a total of \$1.28 billion in Safe Restart funding, of which BC Transit received \$116.4 million. In 2022/23, Safe Restart funding directly compensated 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.

As B.C. continued to emerge from the pandemic in 2022/23, the return to activities and economic growth also helped support BC Transit's successes in rebuilding ridership. BC Transit continued to advance its Low Carbon Fleet Program and made organizational shifts to prioritize the procurement and delivery of low carbon buses, including battery electric buses.

Labour shortages in service industries across B.C. and Canada remained a critical challenge for BC Transit. The shortages affected the agency's recruitment and retention of transit operators and maintenance staff. Additionally, job action in the Sea to Sky corridor of Whistler, Pemberton, and Squamish, as well as the Fraser Valley, including Abbotsford, Mission, Chilliwack, Agassiz-Harrison, and Hope, also impacted service delivery throughout the year.

BC Transit achieved many of its performance targets, with strong results in safety metrics, employee engagement and transit ridership. Partner satisfaction remained high, and Greenhouse Gas (GHG) emissions were reduced significantly from the prior year. BC Transit continues to focus on financial stewardship and service delivery while providing safe, efficient, and reliable transit services to customers.

## Economic Statement

After rebounding rapidly in 2021, British Columbia's economy saw slower yet strong growth in 2022. B.C.'s real GDP growth of 3.6 per cent last year was the fourth highest among provinces (tied with Ontario) and grew at the same pace as the national average, following growth of 6.2 per cent in 2021. Growth in B.C.'s real GDP was mostly supported by service-producing industries such as transportation and warehousing, accommodation and food services, and professional, scientific and technical services. Goods-producing industries also experienced growth led by construction.

While B.C.'s recovery broadened in 2022, it remained uneven as sectors such as transportation and warehousing; accommodation and food services; and arts, entertainment and recreation have yet to fully recover to pre-pandemic levels. B.C.'s labour market continued to grow in 2022, with employment growth of 3.2 per cent and an average unemployment rate of 4.6 per cent, while wages and salaries increased by 10.8 per cent. Consumer spending on goods grew

slowly after a rapid expansion at the beginning of the recovery and nominal retail sales posted overall growth of 3.1 per cent. Last year, prices rose dramatically as strong demand for goods and services was met with lingering supply-chain challenges and high prices for global commodities following Russia's invasion of Ukraine.

In 2022, B.C.'s inflation rate averaged 6.9 per cent, the fastest annual rate since 1982, and up from 2.8 per cent in 2021. B.C. housing starts totalled 46,721 units in 2022, down 1.9 per cent compared to the previous year. Despite the decline, housing starts in 2022 were the second highest on record. Home sales fell sharply in 2022 as they adjusted to higher mortgage rates not seen since 2008. B.C. MLS home sales decreased by 35.2 per cent in 2022 compared to 2021. Meanwhile the MLS average home sale price rose by 7.4 per cent in 2022 because of strength early in the year, despite monthly declines in 9 of the last 10 months of the year.

On the external front, B.C.'s international merchandise exports grew by 20.4 per cent, boosted by strong commodity prices in the first half of 2022.

# Report on Performance: Goals, Objectives, and Results

## 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 results

- Ongoing operator safety training has had a positive impact on passenger injury claims. BC Transit has been conducting regular surveys to understand customer perceptions of safety while riding transit.
- The installation of full driver doors, a moveable barrier located next to the driver's seat near the farebox, has resulted in a safer work environment. Operators who remain seated have experienced fewer assaults.
- Safety training and ergonomic awareness programs continue to provide information about injury risks in the workplace.

#### Summary of progress made in 2022/23

Throughout 2022/23, there has been consistent emphasis on operator safety training, with dedicated efforts to support passenger safety by addressing hydroplaning and preventable collisions. Workplace safety and awareness programs and training initiatives in 2022/23 encompassed an operator injury prevention campaign, education and training on ergonomics and hand injuries, as well as a campaign to prevent winter slips. Additionally, operator training sessions conducted throughout the year aimed to minimize conflicts between operators and passengers.

#### Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1a Passenger injury claims per million passenger trips <sup>1,2</sup>	2.5	2.7	1.4
1.1b Operator assaults per million passenger trips <sup>2,3</sup>	0.6	0.5	0.6
1.1c BC Transit employees lost time injury rate <sup>4,5,6</sup>	6.0	6.5	3.7

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

<sup>2</sup>PM 1.1a and 1.1b were replaced in the latest Service Plan. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>3</sup>Data source: BC Transit internal tracking data and reports from BC Transit operating partners

<sup>4</sup>Data source: BC Transit internal tracking data; BC Transit employees only

<sup>5</sup>PM 1.1c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 6.0 and 6.5, respectively. For forward-looking planning information, including current performance measures for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>6</sup>Measure of lost productivity determined from the number of lost time injuries multiplied by 200,000, divided by the total number of hours worked. Representing 100 employees working 50 weeks or approximately one year, 200,000 is the generally accepted baseline for this measure.

The results for passenger injury claims per million passenger trips and employees lost time injury rate were favourable to target for 2022/23. Slips, trips and falls make up the majority of passenger injuries and safety training has focused on the prevention of injuries through safe driver practices.

BC Transit's employee lost time injury rate has gone down because of training and campaigns on ergonomics and safety.

The rate of operator assaults per million passengers was slightly higher than the target, and 48 per cent of these assaults took place when the operators were out of their seats. However, there has been a reduction in assaults on operators who remain seated. To decrease the number of assaults, extra training has been provided to transit operators.

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

### **Objective 2.1: Employee Engagement: Improve employee engagement.**

#### **Key results**

- The overall employee engagement score was 70 in 2022/23, and the overall participation rate was 69 per cent, a two percent increase compared to 2021/22.
- In 2022/23, BC Transit established a People Experience Group, a diverse and cross-functional group of employees that supports the monitoring and communication of engagement recommendations and actions.

#### **Summary of progress made in 2022/23**

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. In 2022/23, BC Transit completed a workplace inclusion survey to invite feedback from all employees regarding their experience working at BC Transit and to learn about workplace inclusivity from employees' perspectives. Additionally, BC Transit continued to provide leadership training and completed an Indigenous Recruitment Roadmap.

## Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1a Employee engagement <sup>1</sup>	66	68	70

Data source: Employee survey

<sup>1</sup>PM 2.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 69 and 70, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

In 2022/23, BC Transit exceeded the employee engagement target by two points. BC Transit used a new method to calculate employee engagement in 2022/23 by using a non-weighted distribution of responses to four questions: a. I would recommend BC Transit as a great place to work; b. My organization inspires me to give my very best at work; c. I am proud to tell people I work for BC Transit; and d. I intend to be working at BC Transit a year from now. Exceeding the target for employee engagement means that BC Transit's People and Culture vision and plan is having its intended impact.

## 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 results

- In 2022/23 BC Transit ridership continued to build back to pre-pandemic levels. Annual ridership was 15 per cent above target and 29 per cent higher than the previous year and has recovered to an average of 84 per cent of pre-pandemic (2019/20) levels.
- Demand for all modes of transit saw an increase from the previous year, including conventional, custom and paratransit service.
- In 2022/23, BC Transit optimized transit services to continue building back ridership to pre-pandemic levels and match capacity to changing demand patterns.

#### Summary of progress made in 2022/23

BC Transit undertook almost 100 service changes in 2022/23 to support optimization of transit services, matching service levels with demand. 2022/23 was the first full year of the fare-free transit for children 12 and under program, and ongoing advertising campaigns helped encourage people to take transit.

## Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1a Total ridership (passenger trips, millions), including taxi <sup>1,2,3,4</sup>	38.2	42.9	49.2
3.1b Total conventional ridership (passenger trips, millions) <sup>1,5,8</sup>	36.8	41.3	47.5
3.1c Total paratransit ridership (passenger trips, millions), including taxis <sup>1,4,6,8</sup>	0.8	1.0	0.9
3.1d Total custom ridership (passenger trips, million), including taxis <sup>1,4,7,8</sup>	0.6	0.7	0.8
3.1e Conventional passenger trips per service hour <sup>1,5,9,10</sup>	19.5	20.5	25.2
3.1f Paratransit passenger trips per service hour, excluding taxis <sup>1,4,6,8,9</sup>	4.3	4.8	5.1
3.1g Custom passenger trips per service hour, excluding taxis <sup>1,4,7,8,9</sup>	1.7	1.7	2.1

<sup>1</sup>Data source: BC Transit internal tracking data

<sup>2</sup>PM 3.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 44.4 and 45.2, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>3</sup>Total ridership (3.1a) may not be exactly equal to the sum of 3.1b, 3.1c and 3.1d due to the rounding of numbers.

<sup>4</sup>Taxi trips are trips that can not be accommodated by custom or paratransit service and is delivered through a taxi service.

<sup>5</sup>Conventional transit serves the general population in more urban settings and offers scheduled service that operates on fixed routes.

<sup>6</sup>Paratransit serves small towns, rural and First Nations communities and some suburban areas using small and medium sized buses and supplemental taxis using flexible routing and schedules.

<sup>7</sup>Custom transit (handyDART) provides door-to-door service for passengers who are unable to use the conventional transit system.

<sup>8</sup>PM 3.1b, 3.1c, 3.1d, 3.1f and 3.1g were replaced in the latest Service Plan. For forward-looking planning information, including current performance measures for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>9</sup>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.

<sup>10</sup>PM 3.1e targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 23.4 and 26.1, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

In 2022/23, ridership performance met or surpassed most targets, despite being impacted by job action in two regions. The fare-free transit for children 12 and under program, optimization of transit services, and post-pandemic economic growth, including more employees returning to workplaces, the return of events and increased tourism activity contributed to the strong ridership performance. Job action occurred in the first quarter in the Sea to Sky corridor (Whistler, Pemberton, and Squamish), and in the fourth quarter in the

Fraser Valley (Abbotsford, Mission, Chilliwack, Agassiz-Harrison, and Hope). Specifically, job action in Pemberton impacted overall paratransit ridership.

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

### Key results

- BC Transit continued to rebuild customers' confidence in public transit and regain ridership lost during the COVID-19 pandemic and associated restrictions.
- The Voice of the Rider customer feedback program continued, to engage with customers and better understand their experiences using transit. This program grew throughout 2022/23, increasing the number of participants and gathering regular customer insights from frequent transit riders.
- There was focus on continuing to improve customers' perceptions of public transit through improvements to services, including continued emphasis on quality customer service, safety and the implementation of improved technology and service reliability.

### Summary of progress made in 2022/23

Improvements in customer satisfaction were supported by continued investments in real-time service information technology (NextRide) in transit systems across BC. BC Transit began construction on a new Victoria regional handyDART facility in View Royal in 2022/23, and continued travel training programs for custom transit customers. With the implementation of fare-free transit for children 12 and under in September 2021, BC Transit launched its BusReady program, to provide educational content for children using transit.

### Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.2a Customer Satisfaction <sup>1,2</sup>	3.50	3.55	3.40
3.2b Customer Satisfaction – Custom Transit	3.85	4.00	3.95

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

<sup>1</sup>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

<sup>2</sup>PM 3.2a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 3.60 and 3.65, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>3</sup>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.

<sup>4</sup> PM 3.2b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 4.10 and 4.15, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The score for customer satisfaction decreased slightly from 2021/22 and had an unfavourable variance to the target. Ratings remain most positive in terms of courteous drivers and clean, well-maintained buses. The top areas for improvement identified by customers are bus stop amenities, frequency of scheduled service and buses having good connections with reasonable wait times. The score for customer satisfaction – custom transit is up from 2021/22 and fell just short of the target. The top areas of customer satisfaction for custom transit (handyDART) are driver courtesy and helpfulness, value for fare paid and vehicle safety. The top areas for improvement cited by customers are expanding custom transit service hours and availability during existing hours.

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

#### **Key results**

- The expansion of NextRide real-time bus information to more communities offers valuable data to both customers and employees, enhancing the overall quality of the service.
- BC Transit continued to address the transit operator shortage through several recruitment strategies, which has resulted in an increase in the number of transit operators.
- BC Transit focused on providing safe and reliable service, through ongoing safety campaigns for operators and on-time performance of first stop departures as a key metric for customer satisfaction.

#### **Summary of progress made in 2022/23**

BC Transit made significant efforts to improve the quality of its transit services in 2022/23. One key effort was the implementation of NextRide, a real-time bus location information system, which was introduced in 19 additional communities and is now operating in 34 communities in total. Additionally, BC Transit collaborated with local law enforcement groups and engaged with the Canadian Urban Transit Association to address passenger safety concerns. BC Transit also adjusted transit services throughout the year to ensure that service levels aligned with demand. These actions demonstrate BC Transit's commitment to providing efficient, safe, and reliable transit services to its passengers.

#### **Performance measure and related discussion**

<b>Performance Measure</b>	<b>2021/22 Actual</b>	<b>2022/23 Target</b>	<b>2022/23 Actual</b>
3.3 Planned service delivered in conventional transit systems <sup>1,2</sup>	98.10%	99.50%	97.23%

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

<sup>1</sup>The percentage of planned service hours delivered in conventional transit systems measures the quality of transit service and is based upon the percentage of revenue hours that are delivered as planned.

<sup>2</sup>PM 3.3 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 99.90% and 99.90%, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

Planned service delivered in conventional transit systems was below target for 2022/23 due to a variety of factors. Job action in the Sea to Sky corridor of Whistler, Pemberton and Squamish and the Fraser Valley including Abbotsford, Mission, Chilliwack, Agassiz-Harrison and Hope affected planned service delivered in the first and fourth quarter, respectively. Like many service industries, BC Transit experienced a labour shortage in 2022/23, particularly for transit operators and maintenance employees. 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 2022/23, including increasing marketing activities and attending multiple 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 results**

- In 2022/23, BC Transit managed to maintain overall transit service levels with the aid of \$116.4 million in Safe Restart funding provided by the government of Canada and the Province of BC in the previous two fiscal years. Several conventional transit systems were impacted by labour shortages, and service delivery was affected by job action in the Sea to Sky corridor (Whistler, Pemberton, and Squamish) and the Fraser Valley (Abbotsford, Mission, Chilliwack, Agassiz-Harrison, and Hope).
- Lower than expected demand led to a reduction in service hours delivered by some custom transit systems.

#### **Summary of progress made in 2022/23**

In 2022/23, BC Transit remained dedicated to enhancing transit services through various initiatives. One of these involved advancing the planning for Phase 1 of a flexible routing on-demand service in the Kelowna Regional Transit System. This service will enable customers to request their trips using an online app. By implementing NextRide real-time information systems in more communities, BC Transit was able to gather additional data to support reliable services. Additionally, BC Transit made strides in advancing the Electronic Fare Collection System, an important technology improvement for customers.

## Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1a Conventional service hours per capita <sup>1,4</sup>	1.28	1.30	1.20
4.1b Paratransit service hours per capita <sup>2,4</sup>	0.34	0.36	0.33
4.1c Custom service hours per capita <sup>3,4</sup>	0.20	0.22	0.20

Data source: BC Transit internal tracking data

<sup>1</sup>Conventional transit serves the general population in more urban settings and offers scheduled service that operates on fixed routes. 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

<sup>2</sup>Paratransit serves small towns, rural and First Nations communities and some suburban areas using small and medium sized buses and supplemental taxis using flexible routing and schedules. 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)

<sup>3</sup>Custom transit (handyDART) provides door-to-door service for passengers who are unable to use the conventional transit system. 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)

<sup>4</sup>PM 4.1a, 4.1b and 4.1c were replaced in the latest Service Plan. For forward-looking planning information, including current performance measures for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

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 2022/23. 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 2022/23 in meeting planned service hours in many communities due to labour shortages, job action in the Sea to Sky corridor and the Fraser Valley, and lower demand in some custom transit systems.

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

### Key results

- BC Transit focused on partner satisfaction by cultivating strong relationships with local governments, including efforts to improve service delivery and engagement on local transit needs and priorities.
- Work on an Indigenous Relations Strategy began in 2022/23, which included discussions with several local Indigenous community groups on our shared goals and objectives. An Indigenous Employment Roadmap (Victoria-centered) was created with engagement from local Indigenous communities and organizations.
- BC Transit engaged with Indigenous communities on the development of the new Victoria regional handyDART facility and other major projects.

## Summary of progress made in 2022/23

BC Transit continued to work with local government partners to identify service enhancements to improve access to conventional and custom transit. This included optimizing service to respond to changing travel patterns following the COVID-19 pandemic. In 2022/23, there was also a focus on engagement with specific local government partners on the topics of electronic fare collection and battery electric buses.

BC Transit has been working with Indigenous communities to understand transit needs, but also began work on a broader strategy to understand Indigenous perspectives on the general themes of building relationships, education and employment, governance, funding and access to transit. The *Declaration on the Rights of Indigenous Peoples Act*, the Calls for Justice coming out of the National Inquiry on Missing and Murdered Indigenous Women and Girls and the Truth and Reconciliation Commission Calls to Action continue to drive BC Transit's efforts to engage with Indigenous communities.

## Performance measure and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.2 Partner Satisfaction	4.48	4.20	4.41

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

<sup>1</sup>Partnership satisfaction is determined by the average rating of local government transit partner respondents when asked to rate their customer service received from BC Transit from one ("very poor") to five ("excellent")

<sup>2</sup>PM 4.2 targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 4.25 and 4.30, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

## 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 results

- 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.

## Summary of progress made in 2022/23

BC Transit has seen success in growing ridership with the first full year of the fare-free for children 12 and under program and contributing to ridership recovery. Additionally,

optimization of transit services has supported building back ridership levels closer to pre-pandemic levels.

## Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
5.1a Conventional operating cost per passenger trip <sup>1,2,3</sup>	\$6.75	\$6.61	\$5.77
5.1b Paratransit operating cost per passenger trip <sup>1,2,4</sup>	\$22.63	\$21.57	\$21.15
5.1c Custom operating cost per passenger trip <sup>1,2,5</sup>	\$48.85	\$49.50	\$44.45
5.1d Conventional operating cost per hour <sup>3,6,7</sup>	\$131.72	\$135.36	\$145.43
5.1e Paratransit operating cost per hour, excluding taxis <sup>2,4,6</sup>	\$100.00	\$106.76	\$111.59
5.1f Custom operating cost per hour, excluding taxis <sup>2,5,6</sup>	\$96.36	\$97.68	\$102.74

Data source: BC Transit financial system and audited financial information

<sup>1</sup>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

<sup>2</sup>PM 5.1a, 5.1b, 5.1c, 5.1e and 5.1f were replaced in the latest Service Plan. For forward-looking planning information, including current performance measures for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>3</sup>Conventional transit serves the general population in more urban settings and offers scheduled service that operates on fixed routes.

<sup>4</sup>Paratransit serves small towns, rural and First Nations communities and some suburban areas using small and medium sized buses and supplemental taxis using flexible routing and schedules.

<sup>5</sup>Custom transit (handyDART) provides door-to-door service for passengers who are unable to use the conventional transit system.

<sup>6</sup>Operating cost per service hour is determined by dividing the total direct operating expenses by the services hours.

<sup>7</sup>PM 5.1d targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as \$148.00 and \$160.50, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

The measure of cost-effectiveness of providing transit service, operating cost per passenger trip, was favourable to the target for all modes, including conventional, paratransit, and custom service. In addition, operating costs were above the target while passenger trips were below the target. As BC continued to emerge from the pandemic, passenger trips returned at a higher rate than anticipated in 2022/23.

Operating cost per service hour measures for conventional, paratransit and custom transit are over (unfavourable to) target for 2022/23, as this measure was affected directly by increased fuel costs, service hours provided falling below target levels due to job action and transit operator shortages in some communities. BC Transit continues to focus on finding sound 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 results

- BC Transit continued to progress the low carbon fleet program, including planning for further battery electric bus purchases in future years.
- A battery electric demonstration bus was introduced in Victoria in 2022/23 and over 150 people attended events to learn about the bus, including maintenance review and team tours. BC Transit also completed the procurement for the first 10 battery electric buses, which will be delivered to Victoria in fall 2023.
- Renewable natural gas (RNG) has been implemented for the compressed natural gas (CNG) bus fleet at BC Transit, reducing Greenhouse Gas (GHG) emissions.

### Summary of progress made in 2022/23

In 2022/23, the CNG bus fleet was transitioned to 100 per cent RNG fuel consumption, resulting in lower GHG emissions. Preparations and arrangements for the initial 10 battery electric buses continued in 2022/23, including the ongoing construction of charging infrastructure at the Victoria Transit Centre. A demonstration battery electric bus delivered in Victoria underwent a branded wrap treatment to align with the marketing and communications plan.

### Performance measures and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
5.2a Total GHG emissions <sup>1,2,3,4</sup>	63,871	48,500	49,208
5.2b Carbon (GHG) intensity per service hour <sup>1,2,3,5</sup>	26.04	19.00	20.25

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

<sup>2</sup>Data Source: BC Government Clean Government Reporting Tool data and BC Transit internal tracking data

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

<sup>4</sup>PM 5.2a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 47,000 and 45,000, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

<sup>5</sup>PM 5.2b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 19.00 and 19.00, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

Total Greenhouse Gas emissions and Carbon (GHG) intensity per service hour decreased significantly in 2022/23. Values were slightly higher than (unfavourable to) targets due to the proportion of RNG used earlier in the year in Whistler, and BC Transit temporarily expanding the gasoline light duty fleet that produces more GHG per bus than diesel. BC Transit is working towards implementation of its low carbon fleet strategy, including introducing the first 10 battery electric buses in 2023/24, which will likely contribute to GHG emission reductions in subsequent years.

## Financial Report

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

## 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, 2023. This Financial Report should be read in conjunction with BC Transit's audited consolidated financial statements and related notes for the year ended March 31, 2023, included within this 2022/23 Annual Service Plan Report.

### Highlights

Throughout 2022/23, BC Transit experienced challenges related to escalating fuel costs, labour shortages, supply chain issues and labour actions in the Sea to Sky and Fraser Valley regions. At the same time, revenues continued to increase, driven primarily by ridership recovery. With these continued increases in ridership towards pre-pandemic levels, BC Transit is in a strong position to support economic recovery through efficient delivery of affordable transit services in 2023/24.

Total revenues recognized for the year ending March 31, 2023, were \$409.0 million, an increase of \$32.8 million from fiscal 2021/22 and \$2.8 million below budget. The increase in revenue from the prior year can be attributed to additional operating revenues of \$11.5 million, additional recognition of deferred capital contributions of \$2.5 million and an increase of \$32.4 million in contributions from provincial and local governments. This was offset by a reduction of \$14.6 million in federal funding, which was received in 2021/22 primarily as part of the Safe Restart agreement. While local government contributions in 2022/23 were \$28.4 million higher than in the prior year, there was a negative budget variance of \$9.1 million.

Total expenses (excluding amortization and interest) for the year ending March 31, 2023, were \$335.2 million, an increase of \$32.7 million over 2021/22. Operating expenses increased \$21.1 million due to fuel price escalation, general wage increases under the Shared Recovery Mandate and contracted service cost increases in regional systems. Maintenance expenses increased \$6.5 million due to general wage increases and inflation on parts and materials. Administration costs increased \$5.4 million due to general wage increases, technology expenses, recruitment expenses, travel, and additional marketing costs.

Total expenses (excluding amortization and interest) were \$4.3 million above budget. Operations expense was \$1.3 million above budget due to unbudgeted general wage increases and escalating fuel costs, partially offset by savings from insurance, labour shortages, labour action and delayed timing for the implementation of the Electronic Fare Collection System (EFCS). Maintenance expense for the year ending March 31, 2023, was \$81.8.

million, \$0.5 million above budget. This variance is attributable to unbudgeted general wage increases and inflationary increases for labour, parts and materials, partially offset by lower service hours delivered due to labour shortages and disruption. Administration costs were \$2.2 million above budget due to the general wage increase, information systems (software and hardware upgrades), marketing and recruitment expenses.

Amortization and interest expense for the year ending March 31, 2023, totalled \$74.7 million, an increase of \$1.1 million from the prior year and \$6.1 million below budget. Amortization expense was below budget primarily due to delays in the implementation of projects in the capital plan.

The loss from operations of \$1.0 million was attributable largely to expenses related to BC Transit Management Services (BCTMS) which are shared expenses incurred towards operating the 57 regional transit systems. These expenses exceeded eight per cent of direct operating costs in several regional transit systems, and so were ineligible to be funded by the Province and local government partners through the BC Transit Operating Program Contribution Agreement. A large part of the loss was as a result of the labour action in the Sea to Sky and Fraser Valley regions.

## Financial Summary

<i>Figures in thousands</i> As of March 31, 2023	2021/22 Actual	2022/23 Actual	2022/23 Budget	2022/23 Variance Year over year (un)favourable	2022/23 Variance to Budget (un)favourable
<b>Revenue</b>					
Operations	62,656	74,177	65,741	11,521	8,436
Government Transfers					
Federal	14,644	-	-	(14,644)	-
Provincial	137,071	141,067	140,874	3,996	193
Local Government <sup>2</sup>	112,673	141,090	150,192	28,417	(9,102)
Deferred capital contributions	43,961	46,441	49,831	2,480	(3,390)
Investment and other income	5,146	6,207	5,192	1,061	1,015
<b>Total Revenue</b>	<b>376,151</b>	<b>408,982</b>	<b>411,830</b>	<b>32,831</b>	<b>(2,848)</b>
<b>Expenses</b>					
Operations					
Operations (excl. fuel)	165,209	176,821	182,952	(11,612)	6,131
Fuel	26,476	35,979	28,516	(9,503)	(7,463)
Amortization and interest	68,812	69,526	75,442	(714)	5,916
<b>Total operations</b>	<b>260,497</b>	<b>282,326</b>	<b>286,910</b>	<b>(21,829)</b>	<b>4,584</b>
Maintenance					
Fleet	58,153	63,215	63,057	(5,062)	(158)
Facilities	13,972	15,221	14,684	(1,249)	(537)
Amortization and interest	3,117	3,346	3,544	(229)	198
<b>Total maintenance</b>	<b>75,242</b>	<b>81,782</b>	<b>81,285</b>	<b>(6,540)</b>	<b>(497)</b>
Administration					

BC Transit

Administration	38,732	43,962	41,731	(5,230)	(2,231)
Amortization and interest	1,674	1,874	1,904	(200)	30
<b>Total administration</b>	<b>40,406</b>	<b>45,836</b>	<b>43,635</b>	<b>(5,430)</b>	<b>(2,201)</b>
<b>Total Expenses</b>	<b>376,145</b>	<b>409,944</b>	<b>411,830</b>	<b>(33,799)</b>	<b>1,886</b>
<b>Annual Operating Surplus (Deficit)</b>	<b>6</b>	<b>(962)</b>	<b>-</b>	<b>(968)</b>	<b>(962)</b>
<b>Non-Operating Items</b>					
Disposals, gain on investments & other	(156)	(43)	-	113	(43)
Contributions for land purchase	216	2,743	-	2,527	2,743
Total Non-Operating Items	60	2,700	-	2,640	2,700
<b>Net Income (deficit)</b>	<b>66</b>	<b>1,738</b>	<b>-</b>	<b>1,672</b>	<b>1,738</b>
<b>Total Liabilities</b>	<b>640,190</b>	<b>627,687</b>	<b>630,308</b>	<b>12,503</b>	<b>2,621</b>
<b>Capital Expenditures</b>	<b>66,768</b>	<b>100,544</b>	<b>178,018</b>	<b>(33,776)</b>	<b>77,474</b>
<b>Accumulated Surplus</b>	<b>20,846</b>	<b>20,377</b>	<b>25,887</b>	<b>(469)</b>	<b>(5,510)</b>

<sup>1</sup> The above financial information was prepared based on current Generally Accepted Accounting Principles.

<sup>2</sup> Includes Provincial Health Authority and fuel tax funding.

## Variance and Trend Analysis

### Passenger Trips and Service Hours

Ridership trends in 2022/23 show a continued recovery towards pre-pandemic levels and strong growth over 2021/22. Passenger trips are impacted by 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>	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Actual
Service Hours (000s)	2,463	2,339	2,386	2,382
% increase		-5.0%	2.0%	-0.2%
Passenger trips (000s)	58,679	26,958	38,232	49,176
% increase		-54.1%	41.8%	28.6%

The Victoria Regional Transit System (VRTS) and the Regional Transit Systems' (RTS) conventional passenger trips were 2.5 million (13 per cent) and 3.6 million (17 per cent) over budget respectively. Total custom/paratransit system passenger trips increased and were above budget by 58,000 (3 per cent).

Overall passenger trips were up 10.9 million from the previous year and this continues to be attributable to ridership recovery following the COVID-19 pandemic. Key drivers of this ridership recovery were post-secondary institutions returning to in-person classes and more people returning to their workplaces.

The total service hours provided in 2022/23 were 171,000 hours below budget due to labour shortages, lower demand in custom transit systems, and labour disruptions in the Sea to Sky region in the first quarter of 2022/23 and the Fraser Valley region in the latter part of March 2023. Total service hours were lower year-over-year by 4,000 hours. Though total service hours were below budget, the optimization of services contributed to strong ridership.

### Total Revenue

Total revenues for the year ending March 31, 2023, were \$409.0 million, an increase of \$32.8 million over fiscal 2021/22 and \$2.8 million below budget. The total revenues were below budget because of lower service hours due to labour shortages and job action, and deferred capital contributions being impacted by delays in capital projects. Further, BCTMS expenses in several regional transit systems were more than eight per cent of direct operating costs, meaning those additional expenses were ineligible to be funded by the Province and local

government partners through the BC Transit Operating Program Contribution Agreement. These revenue shortfalls were offset by an increase in operations revenue.

### **Operations Revenue**

Operations revenue (passenger fares and advertising, including BC Bus Pass and fare-free transit for children 12 and under provincial contributions) for the year ending March 31, 2023, was \$74.2 million, an increase of \$11.5 million over 2021/22 and \$8.4 million above budget. The increases can be attributed to higher than budgeted ridership growth and increased pass sales.

### **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, 2023, were \$141.1 million, \$0.2 million above budget. This variance is due mainly to unbudgeted general wage increases, as collective agreements were not ratified when finalizing the 2022/23 Service Plan. This increase was largely offset by lower expenses from reduced service hours due to labour shortages and job action, as well as favourable expenses for the Free Transit for Children 12 and Under program. Provincial contributions were \$4.0 million higher than in 2021/22, which was a result of increased expenses, particularly from labour and fuel, partially offset by a reduction in funding of \$14.0 million for Safe Restart provided in 2021/22.

### **Federal**

There were no federal operating transfers for the year ending March 31, 2023, compared to \$14.6 million the prior year. This is primarily due to the additional \$14.0 million in Safe Restart funding which was made available in 2021/22 to support transit systems by compensating for lost fare revenues and additional costs resulting from the COVID-19 pandemic. In addition, funding of \$0.6 million was received for BC Bus North service in 2021/22.

### **Local Government**

Local government transfers were \$141.1 million, an increase of \$28.4 million from 2021/22 and \$9.1 million below budget. Local government transfers were below budget due to higher than budgeted revenues from operations of \$8.4 million, lower service hours as well as lower debt service costs.

### **Deferred Capital Contributions**

The recognition of deferred capital contributions was \$46.4 million for the year ending March 31, 2023, an increase of \$2.5 million over fiscal 2021/22 and \$3.4 million below budget. The increase over prior year can be attributed to additional capitalized assets during the year. Contributions were below budget due to delays in implementation of several projected in the capital plan.

## Investment and Other Income

Investment and other income for the year ending March 31, 2023, was \$6.2 million, an increase of \$1.1 million over fiscal 2021/22 and \$1.0 million above 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, 2023, were \$409.9 million, an increase of \$33.8 million over fiscal 2021/22 and \$1.9 million below budget.

The increase over fiscal 2021/22 can be attributed to fuel cost increases, general wage increases under the Shared Recovery Mandate, contracted service cost increases in regional systems as well as inflationary increases to materials and supplies. Further, the general wage increases were not included in the budget, as the collective agreements were not ratified at the time of the 2022/23 Service Plan publication, thus placing further pressure on the budget.

Offsetting these cost pressures were savings due to below budgeted service hours, savings on insurance due to favourable negotiations and delayed implementation of the electronic fare collection system.

## 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 higher than operational costs. Operations expenses for the year ending March 31, 2023, were \$176.8 million, \$11.6 million over fiscal 2021/22 and \$6.1 million below budget. Expenses were below budget due primarily to lower service hours (due to both labour shortages and labour disruptions), lower insurance expenses and delayed implementation of the electronic fare collection system. Operations expenses increased over fiscal 2021/22 due to general wage increases under the Shared Recovery Mandate and contracted service cost increases in regional systems.

<i>Figures in thousands</i>	2021/22	2022/23	2022/23	Variance Year		Variance to	
	Actual	Actual	Budget	over Year	over Year	Budget	Budget
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Operations (excl. fuel)	165,209	176,821	182,952	(11,612)	(7.0)	6,131	3.4

## Fuel Expense

Fuel expense for the year ending March 31, 2023, was \$36.0 million, an increase of \$9.5 million over fiscal 2021/22 and \$7.5 million above budget. The increase from fiscal 2021/22 is attributable to overall higher market rates for diesel fuel. For 2022/23, the average diesel fuel price was \$1.78 per litre, compared to a budget of \$1.36 per litre. This compares to \$1.34 per litre in 2021/22. Fuel prices significantly increased during the year because of global instability in fuel markets. The price of diesel fuel began the fiscal year at \$1.84, rose to \$2.21 in summer 2022 and was at \$1.64 in March 2023.

<i>Figures in thousands</i>	2021/22	2022/23	2022/23	Variance Year		Variance to	
	Actual	Actual	Budget	over Year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Fuel	26,476	35,979	28,516	(9,503)	(35.9)	(7,463)	(26.2)

BC Transit receives a volume discount from posted rack rates because of a successful fuel procurement process. BC Transit continues to explore other strategies to manage the cost pressure and volatility associated with fuel prices including strategic procurement partnerships, fixed price purchasing, and hedging and is continuing to transition its fleet to alternative fueling technologies such as compressed natural gas, renewable natural gas and electric buses.

## Maintenance Expense

<i>Figures in thousands</i>	2021/22	2022/23	2022/23	Variance Year		Variance to	
	Actual	Actual	Budget	over Year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Maintenance							
Fleet	58,153	63,215	63,057	(5,062)	(8.7)	(158)	(0.3)
Facilities	13,972	15,221	14,684	(1,249)	(8.9)	(537)	(3.7)
<b>Total</b>	72,125	78,436	77,741	(6,311)	(8.8)	(695)	(0.9)

## Fleet Maintenance

Fleet maintenance expenses for the year ending March 31, 2023, were \$63.2 million, an increase of \$5.1 million from fiscal 2021/22 and \$0.2 million above budget. The increase from the prior year is attributable to inflationary cost increases for labour, parts and materials. Fleet

maintenance expense is slightly above budget due to ratified general wage increases offset by lower service hours delivered due to labour shortages and labour action.

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. Many 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 of May 12, 2023, BC Transit has 1,116 buses in service (not including contingency vehicles). The fleet is comprised of 75 high-capacity buses, 525 heavy-duty buses, 190 medium duty buses and 326 light duty buses.

<b>Bus Type (2023/24)</b>	<b>Total</b>	<b>Victoria Region</b>	<b>Other Regions</b>
High Capacity	75	75	0
Heavy Duty	525	195	330
Medium Duty	190	40	150
Light Duty	326	56	270
<b>Total</b>	<b>1,116</b>	<b>366</b>	<b>750</b>

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, 2023, were \$15.2 million, an increase of \$1.2 million over fiscal 2021/22 and \$0.5 million above budget. The increase from fiscal 2021/22 can be attributed to higher leases, utilities, external services and CNG facility expenses. These were slightly offset by lower property taxes. The variance from budget is predominantly due to Victoria conventional facility repairs and maintenance.

In 2022/23, BC Transit's operations and maintenance facilities required ongoing repairs and modifications investments to maintain facility performance, meet life expectancy and to meet the physical requirements of current and expanding service levels. A number of facilities continued to operate at or beyond their designed capacity and, as such, this has limited the expansion of services.

Strategic planning initiatives continued with a number of local partners to respond to facility capacity issues and transit service needs identified in Transit Future Plans. Planning studies commenced to 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.

### Administration Expense

<i>Figures in thousands</i>	2021/22	2022/23	2022/23	Variance Year		Variance to	
	Actual	Actual	Budget	over Year	Budget	Budget	Budget
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Administration (excluding amortization and interest)	38,732	43,962	41,731	(5,230)	(13.5)	(2,231)	(5.3)

Total administrative expenses for the year ending March 31, 2023, were \$44.0 million, an increase of \$5.2 million over fiscal 2021/22 and \$2.2 million above budget. The increase from the prior year and variance from budget can be attributed to labour, general wage increases,

employee recruitment and training, information technology systems and marketing expenses.

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 continued to face ongoing pressures in 2022/23, including increasing requirements for IT support and services. Other cost drivers were regulatory, including compliance with increasing environmental, procurement, accounting and legal standards.

In 2022/23, BC Transit continued 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. As such, BC Transit's cost efficiency benchmarks continued to rank better than comparable sized transit systems

### Debt Service

<i>Figures in thousands</i>	2021/22	2022/23	2022/23	Variance Year over		Variance to	
	Actual	Actual	Budget	Year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Debt Service							
Interest	6,562	5,956	6,191	606	9.2	235	3.8
Amortization	67,041	68,790	74,699	(1,749)	(2.6)	5,909	7.9
<b>Total Debt Service</b>	73,603	74,746	80,890	(1,143)	(1.6)	6,144	7.6

Amortization and interest expense for the year ending March 31, 2023 was \$74.7 million, an increase of \$1.1 million from fiscal 2021/22 and \$6.1 million below budget. Amortization expense was \$5.9 million below budget due to delayed implementation of some capital projects. Interest expense was \$0.2 million below budget due to lower short-term borrowing costs.

## Non-Operating Items

Net losses on disposal of assets, investment gains, and other expenses totaled \$0.43 million as BC Transit worked to renew the aging bus fleet and incurred other minor write-off costs.

Contributions for the purchase of land totaling \$2.7 million were received during the year. 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. BC Transit continually monitors the exposure to commodity price volatility and implements various risk mitigation strategies, such as continuing to buy at rack prices and utilizing alternative fueling technologies. Additionally, BC Transit assesses potential risk mitigation strategies for future application, which include entering into physical fixed price agreements with suppliers to stabilize fuel prices and exploring the possibility of engaging in financial commodity derivative contracts.

As a result of global economic factors, as well as the long-term effects of the COVID-19 pandemic, BC Transit is naturally exposed to supply chain risks. Management mitigates these risks through close oversight 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 delay capital project timelines, low carbon fleet implementation 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.

As a result of the COVID-19 pandemic, BC Transit encountered operational challenges, staffing shortages and increased costs in delivering services, and resulted in reduced ridership and fare revenue losses. While ridership and revenue are returning towards pre-pandemic levels in parts of the province, BC Transit continues to manage this risk by having emergency preparedness plans in place. The Safe Restart funding provided by the federal and provincial governments in 2020/21 and 2021/22 continues to be instrumental in supporting the delivery of essential transit services across systems.

## Capital Expenditures

The capital program and its related financing is a major driver of the Consolidated Statement of Financial Position. 2022/23 capital expenditures focused primarily on the acquisition of new buses and construction of new facilities, such as the Victoria regional handyDART facility and a Provincial Distribution Centre Warehouse.

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 fully allocated and available on eligible expenditures through to 2033/34.

The following illustrates the categories of capital project expenditures in fiscal 2022/23 (in thousands of dollars):

2022/23 Capital Projects	\$
Vehicle Projects	52,593
Exchanges, shelters and other transit infrastructure	6,516
Land	2,418
Other (IT, equipment, technology)	7,240
Buildings	31,777
Total Capital Expenditures in 2022/23	100,544

Capital expenditures were \$77.5 million below planned expenditures of \$178.0 million. Vehicle projects spent \$47.1 million less than planned primarily due to adjustments in the timing of new vehicle orders. Equipment and technology projects were \$12.3 million less than planned with various project related delays, such as implementation of the Electronic Fare Collection System. Building projects spent \$12.0 million less than planned primarily due to delays due to complex site conditions at the proposed Victoria regional handyDART operations and maintenance facility and delays in infrastructure to support the first battery electric vehicles. Transit exchange projects were \$8.3 million less than planned, primarily due to delays in the Island Highway Rapid Bus and Nanaimo Downtown Exchange projects.

<b>Major Capital Projects (over \$50 million in total)</b>	<b>Year of Completion</b>	<b>Project Cost to March 31, 2023 (\$m)</b>	<b>Estimated Remaining Cost to Complete (\$m)</b>	<b>Anticipated Total Cost (\$m)</b>
Victoria handyDART Operating and Maintenance Facility	2025/26	\$20.0	\$39.7	\$59.7
The construction of a new handyDART operating and maintenance facility in the Town of View Royal.				
<b>Significant IT Projects (over \$20 million in total)</b>	<b>Year of Completion</b>	<b>Project Cost to March 31, 2022 (\$m)</b>	<b>Estimated Remaining Cost to Complete (\$m)</b>	<b>Anticipated Total Cost (\$m)</b>
Electronic Fare Collection System	2025/26	\$5.4	\$17.8	\$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 \$2.7 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 \$41.0 million in 2022/23 as compared to \$20.6 million in 2021/22.

Throughout 2022/23, BC Transit utilized its cash position to fund the net cash outflow for tangible capital asset additions. The current cash position is primarily funded through Safe Restart contributions reserved by local government partners, and this has deferred the requirement for fiscal agency loans. Management is expecting to acquire new fiscal agency loans in the future to fund the capital plan as required.

### **Debt**

Total debt outstanding as of March 31, 2023, was \$108.7 million as compared to \$132.0 million on March 31, 2022. The decrease is due to the scheduled repayment of four loans totalling \$23.4 million. Under *the British Columbia Transit Act*, BC Transit is subject to a borrowing ceiling limit of \$500 million. 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 5.19 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 on March 31, 2023, were \$55.9 million, as compared to \$77.7 million on March 31, 2022. The decrease in debt sinking funds relates to redemption of \$25.4 million during the period to repay loan sinking fund and mark-to-market losses of \$2.2 million partially offset by installments of \$3.7 million paid into the fund and interest earnings of \$2.1 million. The overall portfolio of debt sinking funds now has an accumulated loss position of \$0.8 million, as compared to an accumulated gain position of \$1.4 million on March 31, 2022.

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

### **Working Capital Changes**

The net increase in working capital for the year ending March 31, 2023, was \$17.8 million. The increase is attributed to a decrease in accounts receivable of \$21.1 million due primarily to the receipt of Safe Restart funding, an increase in accounts payable and accrued liabilities of \$9.1 million due to an increase in trade payables and payroll accruals for collective agreements ratified close to year end, and an increase of \$9.9 million in accrued acquisition of tangible capital assets. These working capital increases are partially offset by a decrease in deferred contributions of \$20.6 million due to planned use of reserves and a \$3.2 million increase in inventories on hand and other small differences.

### **Accumulated Surplus**

Accumulated surplus as of March 31, 2023, was \$20.4 million, a decrease of \$0.5 million from March 31, 2022. The decrease in the accumulated surplus primarily relates to net mark-to-market decrease on debt sinking funds of \$2.2 million partially offset by the annual surplus of \$1.7 million.

## Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
Putting people first	<ul style="list-style-type: none"> <li>BC Transit has made service optimization changes to match service with demand and adapt to ongoing labour challenges.</li> </ul>
Lasting and meaningful Reconciliation	<ul style="list-style-type: none"> <li>BC Transit has completed an Indigenous Employment Roadmap and has progressed work on a Reconciliation Strategy.</li> </ul>
Equity and anti-racism	<ul style="list-style-type: none"> <li>BC Transit evolved its equity, diversity and inclusion program to be more inclusive and it is now known as IDEA – inclusion, diversity, equity and accessibility.</li> <li>BC Transit has conducted an internal inclusion survey and has made IDEA training available to all employees.</li> </ul>
A better future through fighting climate change	<ul style="list-style-type: none"> <li>BC Transit’s compressed natural gas (CNG) fleet has been transitioned to 100 per cent renewable natural gas (RNG).</li> </ul>
A Strong, Sustainable economy that works for everyone	<ul style="list-style-type: none"> <li>BC Transit completed approximately 100 service changes in 2022/23 to support optimized transit services.</li> </ul>
Rebuild confidence in public transit	<ul style="list-style-type: none"> <li>BC Transit has developed a communicable disease plan to promote health and safety for employees, visitors and contractors.</li> <li>BC Transit launched a provincial affordability campaign to continue to encourage ridership growth.</li> </ul>

2021/22 Mandate Letter Priority	Status as of March 31, 2023
Implement fare-free transit for children 12 and under	<ul style="list-style-type: none"> <li>Fare-free transit for children 12 and under was implemented in September 2021.</li> <li>BC Transit has developed a website and a school outreach program to educate students about public transit.</li> </ul>
Encourage transit use with key projects at UVic, Uptown and the new handyDART facility	<ul style="list-style-type: none"> <li>The UVic transit exchange was completed in fall 2022.</li> <li>Site investigations are underway for a future transit exchange at Uptown.</li> <li>Construction began for the new Victoria Regional handyDART facility in View Royal.</li> </ul>
Report on opportunities for integration with BC Ferries and TransLink	<ul style="list-style-type: none"> <li>Technical Working Groups have been developed with TransLink and BC Ferries to identify short-term and foundational action items. Integration fieldwork has been conducted.</li> </ul>
Invest in low carbon fleet with first ten electric buses	<ul style="list-style-type: none"> <li>The first demonstration battery electric bus arrived in 2022/23 and the first ten battery electric buses will arrive starting in fall 2023 for service in Victoria.</li> </ul>

## Appendix B: Subsidiaries and Operating Segments

### Active Subsidiaries

Incorporated in 2011, BC Transit has 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.

### 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, 2023

# MANAGEMENT REPORT

Year ended March 31, 2023

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, 2023.

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:



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Erinn Pinkerton  
President and Chief Executive Officer  
May 25, 2023



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Roland Gehrke, CPA CA  
Vice President, Finance and Chief Financial Officer  
May 25, 2023



## Independent auditor's report

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

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### Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Transit and its subsidiaries (together, BC Transit) as at March 31, 2023 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, 2023;
- 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.

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### Basis for opinion

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

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

### Independence

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

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



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## **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.

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 identified above 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, 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.

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## **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 20 to the consolidated financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

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## **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.



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## 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, 2023

# BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position  
(In thousands of dollars)

March 31, 2023, with comparative figures for March 31, 2022

	March 31, 2023	March 31, 2022
<b>FINANCIAL ASSETS</b>	\$	\$
Cash and cash equivalents (Note 3)	49,936	52,684
Accounts receivable (Note 4)	50,216	71,353
Debt sinking funds (Note 8)	55,855	77,686
	156,007	201,723
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	57,134	48,031
Due to Province	1,138	641
Deferred revenue and contributions (Note 6)	99,853	120,439
Deferred capital contributions (Note 7)	338,981	316,312
Debt (Note 8)	108,659	132,009
Employee future benefits (Note 9)	21,922	22,758
	627,687	640,190
<b>NET DEBT</b>	(471,680)	(438,467)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	462,312	431,031
Inventories	22,313	19,113
Prepaid expenses and deposits	4,784	6,174
Prepaid lease payments	2,648	2,995
	492,057	459,313
<b>ACCUMULATED SURPLUS</b>		
Accumulated operating surplus	21,137	19,399
Accumulated remeasurement (losses) gains	(760)	1,447
	20,377	20,846

Commitments, contingent liabilities, and contractual rights (Notes 11, 12 and 13).

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

Approved on behalf of the Board of Directors:



Sherri Bell, Chair  
May 25, 2023



Blair Redlin, Director  
May 25, 2023

# BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations  
(In thousands of dollars)

Year ended March 31, 2023, with comparative figures for March 31, 2022

	Budget 2023 (Note 16)	March 31, 2023	March 31, 2022
<b>REVENUE</b>	\$	\$	\$
Operations (Note 14)	65,741	74,177	62,656
Government transfers:			
Federal (Note 14)	-	-	14,644
Provincial (Note 14)	140,874	141,067	137,071
Local government (Note 14)	150,192	141,090	112,673
Deferred capital contributions (Note 7)	49,831	46,441	43,961
Investment and other income	5,192	6,207	5,146
	411,830	408,982	376,151
<b>EXPENSES</b> (Note 15)			
Operations	286,910	282,326	260,497
Maintenance	81,285	81,782	75,242
Administration	43,635	45,836	40,406
	411,830	409,944	376,145
<b>NET SURPLUS (DEFICIT)</b> from operations	-	(962)	6
<b>OTHER</b>			
Disposal of capital assets			
(Loss) on disposal of capital assets	-	(472)	(1,346)
Other capital recoveries	-	438	1,188
Contributions for land purchase (Note 14)	-	2,743	216
Gain on investments	-	43	34
Other (expenses)	-	(52)	(32)
	-	2,700	60
<b>ANNUAL SURPLUS</b>	-	1,738	66
Accumulated operating surplus, beginning of year		19,399	19,333
Accumulated operating surplus, end of year		21,137	19,399

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, 2023, with comparative figures for March 31, 2022

	Budget 2023 (Note 16)	March 31, 2023	March 31, 2022
	\$	\$	\$
Surplus for the year	-	1,738	66
Acquisition of tangible capital assets	(178,018)	(100,544)	(66,768)
Amortization of tangible capital assets	74,699	68,791	67,041
Disposal of tangible capital assets	-	472	1,416
	(103,319)	(29,543)	1,755
Acquisition of inventories of parts	-	(37,157)	(29,613)
Consumption of inventories of parts	-	33,957	28,824
Acquisition of prepaid expenses and deposits	-	(10,617)	(10,926)
Consumption of prepaid expenses and deposits	-	12,007	8,366
Consumption of prepaid leases	-	347	348
	-	(1,463)	(3,001)
Realized gain reclassified to operations	-	(43)	(34)
Unrealized (loss) on portfolio investment	-	(2,164)	(5,016)
	-	(2,207)	(5,050)
Increase in net debt	(103,319)	(33,213)	(6,296)
Net debt, beginning of year	(438,467)	(438,467)	(432,171)
Net debt, end of year	(541,786)	(471,680)	(438,467)

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, 2023, with comparative figures for March 31, 2022

	March 31, 2023	March 31, 2022
	\$	\$
Accumulated remeasurement gains, beginning of year	1,447	6,497
Unrealized (loss) on investments	(2,164)	(5,016)
Realized gain on investments, reclassified to Consolidated Statement of Operations	(43)	(34)
Accumulated remeasurement (losses) gains, end of year	(760)	1,447

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, 2023, with comparative figures for March 31, 2022

	March 31, 2023	March 31, 2022
Cash provided by (used for):	\$	\$
Operating transactions		
Annual surplus	1,738	66
Non-cash charges to operations (Note 17)	22,285	23,965
Changes in non-cash operating working capital (Note 17)	17,820	(389)
Cash received from operating transactions	41,843	23,642
Capital transactions		
Proceeds on disposal of tangible capital assets	91	268
Cash used to acquire tangible capital assets	(110,456)	(69,402)
Cash used for capital transactions	(110,365)	(69,134)
Investing transactions		
Purchase of debt sinking funds and investments	(5,727)	(6,470)
Redemption of debt sinking funds and investments	25,394	17,705
Cash received from investing transactions	19,667	11,235
Financing transactions		
Debt repaid	(23,350)	(15,972)
Capital contributions received	69,457	48,809
Cash received from financing transactions	46,107	32,837
(Decrease) in cash and cash equivalents	(2,748)	(1,420)
Cash and cash equivalents, beginning of year	52,684	54,104
Cash and cash equivalents, end of year	49,936	52,684
Supplemental cash flow information		
Cash paid for interest	5,699	6,874
Cash received from interest	960	342

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, 2023, with comparative figures for March 31, 2022

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## 1. Nature of Operations

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

BC Transit, on behalf of the Victoria Regional Transit Commission (“VRTC”), is responsible for the administration of all funds raised by certain tax levies. These funds are recorded as a liability and summarized in Note 6.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Accounting

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

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

Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for 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.

0925406 B.C. Ltd.

0922667 B.C. Ltd.

0928624 B.C. Ltd.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

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

### (c) *Deferred Contributions and Revenue Recognition*

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

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

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

See Note 20 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.

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.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

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

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 exist. 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-trusteed 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 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 and were effective March 31, 2020.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements

(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

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

### **(g) Asset Retirement Obligation**

BC Transit maintains tangible capital assets to deliver transit services. Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets.

A liability is recognized when, as at the financial reporting date:

- (i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) the past transaction or event giving rise to the liability has occurred;
- (iii) it is expected that future economic benefits will be given up; and
- (iv) a reasonable estimate of the amount can be made.

The obligations are measured initially at fair value, determined using present value methodology with a discount rate of 3.55%, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Consolidated Statement of Operations.

### **(h) 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:

- (v) an environmental standard exists;
- (vi) contamination exceeds the environmental standard;
- (vii) BC Transit is directly responsible or accepts responsibility; and
- (viii) a reasonable estimate of the amount can be made.

As at March 31, 2023, BC Transit has not identified any contaminated sites that meet the criteria for recognition.

### **(i) 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.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

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

### (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.

### (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.

## (j) *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

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements

(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

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

periods, employee future benefits and estimating provisions for certain accrued liabilities. Actual results could differ from these estimates.

### **(k) New Accounting Standard**

Effective April 1, 2022, BC Transit adopted PS 3280 Asset Retirement Obligations. PS 3280 defines and establishes standards for recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets. BC Transit completed a review of legal obligations within the scope of PS 3280 Asset Retirement Obligations and identified asset retirement activities including the dismantling of in-ground hoists and the decommissioning of diesel and CNG fueling equipment. The estimated time for all dismantling and decommissioning activities is at the end of the assets' useful life.

The standard was adopted prospectively resulting in asset retirement obligations of \$339 (2022 - \$nil) which are included in accounts payable and accrued liabilities. The impacted assets, buildings and other equipment, were also increased by the same amount. Amortization expense of \$44 relating to the asset retirement obligations was recognized during the year.

Refer to accounting policy Note 1 (g) for further impacts of this accounting policy adoption.

### **(l) New Accounting Pronouncements**

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

#### **(i) Revenue (PS3400)**

This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange transactions and non-exchange transactions. 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.

#### **(ii) PSG 8 Purchased Intangibles**

This standard provides guidelines on how to account for and report on identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. 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, 2023, with comparative figures for March 31, 2022

## 3. Cash and Cash Equivalents

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

	2023	2022
	\$	\$
Cash	39,369	42,472
Cash equivalents	10,567	10,212
Cash and cash equivalents	49,936	52,684

## 4. Accounts Receivable

Accounts receivable are comprised of the following:

	2023	2022
Provincial:	\$	\$
Operating	4,447	15,202
Capital grants	13,263	11,224
	17,710	26,426
Federal:		
Operating	-	14,327
Capital grants	8,201	8,851
	8,201	23,178
Local governments	16,125	13,009
Trade and other	8,181	8,740
Accounts receivable	50,216	71,353

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2023	2022
	\$	\$
Trade payables	21,084	18,495
Payable to Operating Companies	16,267	15,871
Payroll liabilities	14,140	8,805
Asset retirement obligation	339	-
Other	5,304	4,860
Total deferred revenue and contributions	57,134	48,031

## 6. 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:

	2023	2022
	\$	\$
Deferred service funding contributions	14,229	19,016
Deferred contributions for assets	52,298	51,371
Deferred Victoria Regional Transit Fund	32,266	49,383
Deferred sales	1,060	669
Total deferred revenue and contributions	99,853	120,439

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 6. Deferred Revenue and Contributions (continued)

Continuity of deferred service funding, contributions and revenue:

	2023	2022
Deferred service funding contributions:	\$	\$
Balance, beginning of year	19,016	33,728
Service funding contributions received	111,215	71,500
Service funding recognized as revenue	(116,002)	(86,212)
Balance, end of year	14,229	19,016
Deferred contributions for assets:		
Balance, beginning of year	51,371	43,445
Contributions received	26,364	35,169
Contributions recognized as revenue	(25,437)	(27,243)
Balance, end of year	52,298	51,371
Deferred Victoria Regional Transit Fund:		
Balance, beginning of year	49,383	50,140
Revenue fuel tax received	17,821	17,945
Revenue property tax received	36,720	34,635
Investment and other income received	1,608	408
Government transfers recognized as revenue	(73,266)	(53,745)
Balance, end of year	32,266	49,383
Deferred sales:		
Balance, beginning of year	669	621
Amounts received	6,516	7,455
Amounts recognized as revenue	(6,125)	(7,407)
Balance, end of year	1,060	669
Balance, end of year	99,853	120,439

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 7. Deferred Capital Contributions

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

	2023	2022
	\$	\$
Balance, beginning of year	316,312	312,384
Contributions and other additions	69,457	48,809
Impairment and disposal of capital assets	(347)	(920)
Amortization	(46,441)	(43,961)
Balance, end of year	338,981	316,312

## 8. Debt

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

	2023	2022
Debt has a weighted average rate of 5.19%, maturing at various dates to 2040, amortized from 15 to 30 years	\$108,659	\$132,009

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

	\$
2024	5,436
2025	4,911
2026	12,902
2027	42,964
2028	5,661
Thereafter	73,275

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes \$43 (2022 - \$34) 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:

	2023		2022	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Provincial bonds	56,397	55,636	72,952	74,403
Money market funds	218	219	3,287	3,283
Total	56,615	55,855	76,239	77,686

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 8. Debt (continued)

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

	\$
2024	3,456
2025	3,433
2026	3,433
2027	3,186
2028	1,537
Thereafter	6,171

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, 2023, 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, 2023, the facility was not in use.

## 9. Employee Future Benefits

BC Transit provides sick leave and other benefits to its employees. Funding is provided when the benefits are paid and accordingly, there are no plan assets. These employee-related liabilities will require funding in future periods and are set out below.

Continuity of employee future benefits liability:

	2023	2022
Accrued benefit liability:	\$	\$
Balance, beginning of year	22,758	22,859
Current benefit cost and event-driven expense	686	1,397
Interest	248	209
Amortization of actuarial gain	(1,337)	(1,263)
Benefits paid	(433)	(444)
Balance, end of year	21,922	22,758
Unamortized actuarial gain	(12,445)	(12,757)
Employee future benefit obligation	9,477	10,001

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 9. Employee Future Benefits (continued)

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

	2023	2022
	\$	\$
Non-pension post-retirement benefits	5,737	6,128
Post-employment benefits	1,065	1,081
Continuation of long-term disability benefits	2,675	2,792
Total employee future benefit obligation	9,477	10,001
Unamortized actuarial gain	12,445	12,757
Employee future benefit liability	21,922	22,758

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 12 years (2022 – 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:

	2023	2022
Discount rate	3.3% - 4.1%	2.5% - 3.3%
Expected future inflationary increases	2.6% - 5.2%	2.6% - 5.2%
Weighted average health care trend – end of year	6.1% in 2023 grading to 3.8% in and after 2040	6.2% in 2022 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 144,547 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 as at March 31, 2023, with data available in Q2 2023/24. Updates will be provided in the financial statements for the year ending March 31, 2024.

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, 2023, for employer contributions was \$8,267 (2022 – \$7,260).

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 10. Tangible Capital Assets

Cost	Balance, March 31, 2022	Additions	Disposals	Transfers	Balance, March 31, 2023
	\$	\$	\$	\$	\$
Land	31,000	-	-	2,187	33,187
Exchanges, shelters, and other transit infrastructure	69,727	-	(457)	5,715	74,985
Buildings	130,198	233	-	11,384	141,815
Vehicles	556,209	-	(16,880)	47,305	586,634
Other equipment	90,450	106	(1,888)	2,322	90,990
Capital projects in progress	35,108	100,205	(203)	(68,913)	66,197
<b>Total</b>	<b>912,692</b>	<b>100,544</b>	<b>(19,428)</b>	<b>-</b>	<b>993,808</b>

Accumulated amortization	Balance, March 31, 2022	Disposals	Amortization	Transfers	Balance, March 31, 2023
	\$	\$	\$	\$	\$
Exchanges, shelters, and other transit infrastructure	41,731	(447)	5,175	-	46,459
Buildings	39,515	-	6,132	-	45,647
Vehicles	334,850	(16,622)	52,120	-	370,348
Other equipment	65,565	(1,887)	5,364	-	69,042
<b>Total</b>	<b>481,661</b>	<b>(18,956)</b>	<b>68,791</b>	<b>-</b>	<b>531,496</b>

Net book value	Balance, March 31, 2023	Balance, March 31, 2022
	\$	\$
Land	33,187	31,000
Exchanges, shelters, and other transit infrastructure	28,526	27,996
Buildings	96,168	90,683
Vehicles	216,286	221,359
Other equipment	21,948	24,885
Capital projects in progress	66,197	35,108
<b>Total</b>	<b>462,312</b>	<b>431,031</b>

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 10. Tangible Capital Assets (continued)

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
<b>Total</b>	<b>874,276</b>	<b>66,768</b>	<b>(28,352)</b>	<b>-</b>	<b>912,692</b>

  

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
<b>Total</b>	<b>441,556</b>	<b>(26,936)</b>	<b>67,041</b>	<b>-</b>	<b>481,661</b>

  

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

Capital projects in progress having a value of \$66,197 (2022 - \$35,108) 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 \$472 (2022 - \$1,416) were written off.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 11. 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), contracts with vendors and operating partners for transit operations (Operating contracts), vehicle purchase, and contracts for construction projects including facilities and equipment, exchanges and on-street infrastructure, and technology (Capital contracts). Amounts are as summarized below:

	2024	2025	2026	2027	2028
	\$	\$	\$	\$	\$
Operating leases	1,919	1,867	1,447	1,443	917
Operating contracts	16,368	9,531	8,781	8,480	2,009
Vehicle purchases	31,266	1,619	-	-	-
Capital contracts	23,592	923	881	881	881
Total	73,145	13,940	11,109	10,804	3,807

## 12. 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, 2023, 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, 2023, there were eight letters of credit outstanding for a total amount of \$3,581 (2022 - \$2,231), none of which have been drawn upon.

## 13. Contractual Rights

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

- (i) 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 \$145,040 and provincial funding of up to \$143,526 for future fiscal years to fund eligible expenditures incurred to December 31, 2027, as defined within the agreement.
- (ii) 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.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 14. Government Transfers

The transfers reported on the statement of operations are:

	2023	2022
Government transfers:	\$	\$
Provincial contributions:		
Operating transfers	141,067	137,071
Deferred capital contributions	28,162	27,631
Write-off of capital assets	176	627
Contributions for land purchase	1,448	96
	170,853	165,425
Federal contributions:		
Operating transfers	-	14,644
Deferred capital contributions	16,833	15,159
Write-off of capital assets	151	283
	16,984	30,086
Local government contributions:		
Transfers under cost share agreements	141,090	112,673
Deferred capital contributions	1,039	823
Contributions for land purchase	1,295	120
	143,424	113,616
Other:		
Deferred capital contributions	407	348
Write-off of capital assets	21	10
	428	358
<b>Total government transfers</b>	<b>331,689</b>	<b>309,485</b>

In addition to the ongoing government funding programs, BC Transit signed a contribution agreement with the Province under the federal Safe Restart Agreement 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 \$12,570 (2022 - \$11,685) from the provincial government to pay fares for the BC Bus Pass and the Free Transit for Children 12 and Under programs.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

## 15. Classification of Expense By Object

	Budget	2023	2022
	\$	\$	\$
Contracted management fees, wages, and benefits	120,885	118,316	113,450
Salaries, wages, and benefits	109,197	112,539	101,587
Amortization of capital assets	74,699	68,791	67,041
Fuel and lubricants	28,872	36,573	26,949
Fleet maintenance	24,330	24,650	22,378
Interest	6,191	5,956	6,562
Insurance	8,466	6,051	6,436
Facility maintenance	6,637	8,156	6,657
Information systems	8,305	8,275	7,037
Leases and taxes	5,833	5,014	5,020
Major projects and initiatives	3,528	655	586
Local government expenses	2,473	2,462	2,401
Marketing and communications	3,027	3,201	2,693
Taxi programs	1,531	1,717	1,182
Corporate expenses	4,425	4,577	4,038
Contracted and professional fees	2,268	1,826	1,682
Travel and meetings	1,163	1,185	446
Total operating expenses	411,830	409,944	376,145

## 16. Budget Data

The budget data presented in these consolidated financial statements was included in the 2022/23-2024/25 Service Plan, approved by the Board of Directors on February 2, 2022, and by the Government of British Columbia on February 8, 2022.

## 17. Additional Information for the Statement of Cash Flows

	2023	2022
	\$	\$
Non-cash charges to operations:		
Amortization of tangible capital assets	68,791	67,041
Amortization of prepaid lease	347	348
Gain on the disposal of debt sinking funds	(43)	(34)
Loss on the disposal of tangible capital assets	34	228
Amortization of deferred capital contributions	(46,441)	(43,961)
Long-term disability benefits expense	(403)	343
	22,285	23,965
Changes in non-cash operating working capital:		
Accounts receivable	21,137	(8,952)
Accounts payable and accrued liabilities	9,103	17,217
Due to Province	497	-
Deferred revenue and contributions	(20,586)	(7,495)
Employee future benefits	(433)	(444)
Inventories	(3,200)	(789)
Prepaid expenses and deposits	1,390	(2,560)
Net change in accrued acquisition of tangible capital assets	9,912	2,634

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

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17,820	(389)
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## 18. 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 *Financial Administration Act of British Columbia* to directly enter into financial commodity derivative contracts. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. No such hedge agreements were entered into during the year.

#### *Interest Rate Risk*

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

#### *Foreign Exchange Risk*

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

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2023, with comparative figures for March 31, 2022

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## 18. 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.

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Estimated impact of a 1% change on annual surplus:	\$
Interest rate risk	116
Foreign exchange risk	605
Commodity risk (fuel)	418

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### *Liquidity Risk*

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long-term debt is disclosed in Note 8. Other commitments with future minimum payments are disclosed in Note 11.

### *Credit Risk*

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents 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 and municipal government partners.

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

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

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
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Year Ended March 31, 2023, with comparative figures for March 31, 2022

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## 19. 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 14).

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

## 20. 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, 2023, an increase in deferred capital contributions by \$338,981 (2022 – \$316,312), and a decrease in accumulated surplus by the same amounts.

For the year ended March 31, 2023, an increase in annual surplus by \$22,669 (2022 – increase by \$3,928).

## 21. 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 (2022 - \$1,828) remains in deferred revenue to offset other potential future claims. See Note 12 for further details regarding unsettled claims.

## 22. 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.