

BC Transit

2023/24
Annual Service Plan Report

August 2024



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Board Chair's Accountability Statement



The BC Transit 2023/24 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2023/24 – 2025/26 Service Plan published in 2023. 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".

Sherri Bell
Board Chair, BC Transit
August 13, 2024

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Letter from the Board Chair & CEO

In 2023/24, BC Transit fulfilled its commitments as outlined in the [Mandate Letter](#) and achieved a significant milestone as ridership levels recovered to pre-pandemic levels for conventional transit. Several noteworthy initiatives have contributed to this achievement. [Safe Restart](#) funding from the Government of Canada and the Province of B.C. allowed BC Transit and local government partners to continue to provide reliable transit service despite the ongoing impacts of COVID-19. Additionally, [Umo](#), BC Transit's electronic fare collection system was introduced in many BC communities. Furthermore, the ongoing deployment of [NextRide](#) automated vehicle location technology across provincial transit systems has been instrumental in enhancing the customer experience. Notably, the fare-free transit for children 12 and under program funded by the Province of B.C. has not only boosted ridership but also garnered positive feedback from customers. BC Transit's [BusReady](#) program, designed to educate children and families on safe bus travel, earned national recognition from the [Canadian Urban Transit Association](#) (CUTA).

BC Transit remained committed to advancing inclusion, diversity, equity, and accessibility (IDEA) initiatives. Continuous training initiatives for our employees, including Indigenous cultural awareness programs for leadership, underscore our dedication to fostering a more inclusive environment. Additionally, insights garnered from the Transit Experience survey, conducted through a Gender-Based Analysis Plus (GBA+) lens, have provided invaluable insights into the evolving needs of our diverse customer base.

Though BC Transit faced an unanticipated delay in the delivery of its first 10 battery electric buses, progress was made on the transition to a low-carbon fleet and reducing greenhouse gas (GHG) emissions. BC Transit identified prequalified vendors to support the move to battery electric buses and progressed design and construction of battery electric bus supportive infrastructure. Additionally, the increased use of sustainable fuels has reduced bus fleet GHG emissions.

Safety remains a top priority at BC Transit. The launch of a Security Operations Centre has bolstered our resilience against cyber threats, while ongoing Voice of the Rider surveys continue to provide valuable insights into customers' safety perceptions and areas for improvement.

In response to evolving demand and labour market conditions, BC Transit has optimized transit services while concurrently conducting recruitment and retention campaigns for transit operators and maintenance staff. As BC Transit continues to grow ridership, work will continue to provide safe, sustainable, and affordable public transit for residents and visitors of British Columbia.



Sherri Bell
Board Chair, BC Transit
August 13, 2024



Erinn Pinkerton
President & CEO, BC Transit
August 13, 2024

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](#) and [2023/2024 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the [BC Transit 2023/24 - 2025/26 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 1.9 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 for all transit systems, including asset management and construction, procurement, marketing, planning, scheduling, safety, and training expertise. BC Transit directly operates the conventional service in the Victoria Regional Transit System.

The funding of transit service is provided through customer fares, advertising revenues, and a regional motor fuel tax (in the Victoria system), with the remainder funded through a partnership between local governments and the provincial government through BC Transit.

Operating Environment

BC Transit's primary focus throughout 2023/24 was restoring transit ridership to pre-pandemic levels and supporting B.C. communities in their recovery from COVID-19. After an initial drop in ridership of up to 80 per cent at the outset of the pandemic, conventional transit usage rebounded to 100 per cent of pre-pandemic levels by fall 2023.

In 2023/24, Safe Restart funding directly compensated local government partners for fare revenue losses, COVID-19 related expenses, and motor fuel tax revenue losses for the Victoria Regional Transit System.

BC Transit invested significantly in new technology for customers during 2023/24 to support the resurgence in ridership. Umo, BC Transit's new electronic fare collection system was introduced in 17 transit systems, facilitating access to transit by introducing new payment methods for customers.

Labour shortages in service industries across B.C. and Canada remained a critical challenge for BC Transit. BC Transit addressed labour market challenges by carrying out active recruitment and retention campaigns for transit operators and maintenance staff. Additionally, labour disputes in transit systems in the Comox Valley, Campbell River, and the Fraser Valley (including Abbotsford, Mission, Chilliwack, Agassiz-Harrison, and Hope) impacted service delivery throughout 2023/24.

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.

BC Transit achieved 6 out of 12 performance targets set out in the [BC Transit 2023/24 – 2025/26 Service Plan](#) with strong results in transit ridership levels, reduction of GHG emissions and employee engagement scores. BC Transit continues to focus on financial stewardship and service delivery while providing safe, efficient, and reliable transit services to customers.

Economic Statement

Following two years of strong recovery from the pandemic, economic growth in British Columbia moderated in 2023. After expanding by 3.9 per cent in 2022, B.C.'s real GDP increased by 1.6 per cent in 2023, the second highest growth rate among provinces (tied with Saskatchewan and Ontario) and outperforming the national average. Growth in B.C.'s real GDP was supported by service-producing industries such as real estate, rental and leasing; professional, scientific and technical services; transportation and warehousing; and healthcare. Despite steady growth in the construction and mining, quarrying and oil and gas extraction sectors, output for goods-producing industries decreased in 2023, partly due to lower manufacturing activity. While B.C.'s economy continued to expand in 2023, some sectors such as transportation and warehousing and accommodation and food services have yet to fully return to pre-pandemic levels.

B.C.'s labour market continued to grow in 2023, with employment growth of 1.6 per cent and wages and salaries increasing by 6.9 per cent. However, B.C.'s unemployment rate rose to 5.2 per cent in 2023 from 4.6 per cent in the previous year as the labour force, supported by record high immigration, grew faster than employment. High interest rates tempered consumer spending on goods in 2023 and nominal retail sales edged down 0.1 per cent. In 2023, price pressures in B.C. moderated among a broad number of goods and services but remained elevated. B.C.'s inflation rate averaged 3.9 per cent in 2023, down from 6.9 per cent in 2022. B.C. home construction activity strengthened in 2023. Housing starts totalled 50,490 units in 2023, the highest annual pace on record and up 8.1 per cent compared to the previous year. High interest rates continued to weigh on home sales activity last year. B.C. MLS home sales decreased by 9.2 per cent in 2023, while the MLS average home sale price was 2.6 per cent lower than 2022. On the external front, B.C.'s international merchandise exports declined by 13.5 per cent in 2023, due to weaker global demand and lower commodity prices compared to 2022.

Report on Performance: Goals, Objectives, and Results

The following goals, objectives and performance measures have been restated from the 2023/24 – 2025/26 service plan. For forward-looking planning information, including current targets for 2024/25 – 2026/27, please see the latest service plan on the [BC Budget website](#).

Goal 1: Maximize Resources and Grow Ridership.

Objective 1.1: Complete key infrastructure construction projects.

Key results

- Construction of the Victoria handyDART Operations and Maintenance Centre advanced.
- Detailed design of the Nelson transit exchange was completed.
- Construction of the Abbotsford Montrose transit exchange began.

Summary of progress made in 2023/24

BC Transit continued to invest in transit infrastructure in 2023/24 to support increased service capacity. BC Transit secured funding from the [Investing in Canada Infrastructure Program](#) for capital projects including transit exchanges in Trail, Comox Valley, and Kelowna. Additionally, BC Transit advanced the design work to upgrade the Kelowna Transit Facility and for a new transit exchange in Nanaimo.

Objective 1.2: Optimize the effectiveness and reliability of public transit.

Key results

- [Umo](#), BC Transit's electronic fare collection system, was implemented in 17 transit systems.
- [Blink RapidBus](#) service was launched between Victoria and the West Shore.
- Full staffing level for transit operators in the Victoria Regional Transit System was reached at the end of 2023/24.

Summary of progress made in 2023/24

Service delivery is very important to BC Transit, and consistent efforts have been made to support a workforce capacity that ensures a reliable service is being delivered. Technology enhancements such as Umo and real time service information technology (NextRide) have supported increased customer access to transit. The new RapidBus service between Victoria and the West Shore, launched in April 2023, provides a faster, frequent service resulting in increased ridership. Additionally, work advanced to support the launch of a new OnDemand service in the Kelowna Regional Transit System.

Performance measures and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
1a Total ridership (passenger trips, millions), including taxi ^{1,2}	49.2	51.4	54.1
1b Conventional passenger trips per service hour ^{3,4}	25.2	24.4	27.6
1c Planned service delivered in conventional transit systems ^{3,5}	97.23%	99.50%	95.01%
1d Conventional operating cost per service hour ^{6,7,8}	\$145.43	\$146.99	\$155.36

¹Data source: BC Transit internal tracking data.

²PM 1a targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 51.4 and 51.4, respectively.

³Data source: BC Transit internal tracking data and reports from BC Transit operating partners.

⁴PM 1b targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 27.1 and 29.3, respectively.

⁵PM 1c targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 99.50% and 99.50%, respectively.

⁶Data source: BC Transit financial system and audited financial statements.

⁷Operating cost per service hour is determined by dividing the total direct operating expenses by the service hours.

⁸PM 1d targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as \$161.10 and \$173.02, respectively.

Ridership performance surpassed the target by 2.7 million rides (by 5 percent), with conventional ridership reaching pre-pandemic level starting in Fall 2023. Ridership increased despite being affected by labour disruptions in the Comox Valley, Campbell River, and the Fraser Valley. The introduction of the Umo electronic fare collection system, continuation of the fare-free transit for children 12 and under program, optimization of transit services, and continued post-pandemic economic growth contributed to strong ridership performance.

Planned service delivered in conventional transit systems was below target in 2023/24 due to several factors. Job action in the Fraser Valley suspended service delivery in the first and second quarters, and job action in the Comox Valley and Campbell River affected service delivery in the third and fourth quarters. Additionally, BC Transit continued to experience a labour shortage in 2023/24, 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 issue, BC Transit continued to focus on recruitment and retention of transit operators, 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 also adjusted transit service to better match demand.

Operating cost per service hour for conventional transit was over (unfavourable to) target for 2023/24, as this measure was affected by general wage increases and operating contract cost increases. BC Transit continues to focus on finding sound cost efficiencies and initiatives to increase ridership.

Goal 2: Increase Customer Satisfaction and Encourage Strong Transit Use.

Objective 2.1: Maintain high levels of passenger and employee safety.

Key results

BC Transit conducted public surveys to understand and improve customer safety. The majority of customers generally report feeling safe while riding transit.

- Safety training and ergonomic awareness programs were provided to employees to support a safe workplace.

Summary of progress made in 2023/24

Throughout 2023/24, workplace safety was supported by initiatives such as education and training on ergonomics and hand injuries, and campaigns to prevent winter slips and hydroplaning. Additionally, a new operator training program was created to minimize conflict between operators and passengers. This training was delivered to all operators in Victoria and was introduced to operating partners. BC Transit has also been involved in the creation of a national conflict resolution training program for transit operators in Canada.

Objective 2.2: Improve employee, partner, and community engagement.

Key results

- The Work Environment Survey achieved the highest employee participation rates yet, and engagement scores exceeded year over year results by 6 per cent.
- A Transit Experience Survey was conducted to understand the needs of BC Transit's diverse customers by using GBA+ to look at the results and it received 1,900 responses.
- An introduction to IDEA e-learning course was launched, and IDEA training was provided to operators and maintenance employees.
- Indigenous Cultural Awareness training was launched for people leaders.
- BC Transit focused on partner satisfaction by cultivating strong relationships with local governments, including efforts to improve service delivery and engagement on local transit priorities and the impacts of new housing legislation.

Summary of progress made in 2023/24

BC Transit continued to implement its five-year [People and Culture Plan](#). This plan focuses on three specific goals including growing employee engagement and communication, elevating People and Culture technology and supporting employee growth and development. In 2023/24, the employee performance review program was revised, and an Indigenous Employment Program roadmap was completed. BC Transit has continued to advance IDEA through training opportunities and IDEA related events.

To support reconciliation efforts, Indigenous Cultural Awareness training commenced to improve cultural safety for Indigenous employees. Additionally, work progressed on a strategy to engage with First Nations and Indigenous organizations in B.C. to support transit service opportunities.

BC Transit continued to work with local government partners to identify service enhancements, including optimizing services to respond to demand, and to determine how new housing legislation for transit-oriented areas impacted their communities. BC Transit also continued to work with BC Ferries and TransLink to identify opportunities to better integrate services.

Performance measures and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
2a BC Transit Employees Lost Time Injury Rate ^{1,2}	3.7	4.0	6.7
2b Preventable Incidents ^{3,4}	9.5	6.9	16.1
2c Employee Engagement ^{5,6}	70	72	76
2d Customer Satisfaction ^{7,8,9}	3.40	3.52	3.40
2e Customer Satisfaction – Custom Transit ^{8,10,11}	3.95	4.10	4.04
2f Partner Satisfaction ^{12,13}	4.41	4.25	4.30

¹Data Source: BC Transit internal tracking data; BC Transit employees only.

²PM 2a targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 3.5 and 3.5, respectively.

³Data Source: BC Transit internal tracking data; Number of preventable incidents per million vehicle-kilometres driven.

⁴PM 2b targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 6.8 and 6.5, respectively.

⁵Data Source: Employee Survey.

⁶PM 2c targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 73 and 74, respectively.

⁷Customer 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.

⁸Data Source: Annual customer survey, conducted by a third-party research firm.

⁹PM 2d targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 3.52 and 3.52, respectively.

¹⁰Customer satisfaction – Custom Transit is determined by the average rating of respondents when asked to rate their overall custom transit experience from one ("very dissatisfied") to five ("very satisfied").

¹¹PM 2e targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 4.15 and 4.20, respectively.

¹²Data Source: Annual partner survey, conducted by a third-party research firm.

¹³PM 2f targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 4.25 and 4.25, respectively.

BC Transit’s employee lost time injury rate was higher than the target, which was impacted by increased injuries from ergonomic issues and injuries sustained by transit operators in BC Transit bus accidents.

Preventable incidents were also above the target, which was impacted by an increased number of bus collisions with stationary objects. Specific programs and campaigns are being developed to reduce the number of preventable incidents, including operator workshops and analysis of areas that have a high number of incidents.

Employee engagement exceeded the target by four points. Exceeding the target for employee engagement shows that BC Transit's People and Culture vision and plan is having its intended impact. The People Experience Group made up of BC Transit employees from across the organization reviews the employee engagement survey results and works with teams to identify recommended actions and review progress on previous years' recommendations.

The score for customer satisfaction was the same as 2022/23 but did not meet 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. BC Transit continues to administer a [Bus Shelter Program](#) that provides bus shelters to communities across the province, and continues to make service optimization improvements to improve frequency of service and connections.

The score for customer satisfaction – custom transit did not meet the target but exceeded the 2022/23 score. The top areas of custom transit (handyDART) satisfaction are driver courtesy and helpfulness, value for fare paid and vehicle safety. The top areas cited by customers for improvement are expanding availability during existing hours and introducing service on Sunday for some systems that currently do not have Sunday service.

Partner satisfaction exceeded the target. BC Transit continued to engage with local government partners on their transit service needs, identifying service enhancements for conventional and custom transit. BC Transit also provided information and support related to new housing legislation and transit-oriented areas and has integrated this information into transit planning processes.

Goal 3: Reduce Greenhouse Gas and Localized Emissions.

Objective 3.1: Transition to a low carbon fleet and implement a fully electric fleet by 2040.

Key results

- BC Transit released procurements to prequalify vendors to support heavy-duty battery electric bus deployments, charging equipment and major electrical equipment for the first phase of electrification of the fleet.
- Charging equipment was constructed at the Victoria Transit Centre and can support electric buses from a variety of suppliers.
- The use of renewable natural gas (RNG) and hydrogenation-derived renewable diesel (HDRD) has resulted in a reduction in GHG emissions.

Summary of progress made in 2023/24

Throughout 2023/24, BC Transit used a demonstration battery electric bus for training and performance testing, helping prepare the organization for the impacts for future deployments of battery electric buses. BC Transit also focused efforts on planning for low-carbon fleet options for all bus types in future years.

Performance measures and related discussion

Performance Measure	2022/23 Actual	2023/24 Target	2023/24 Actual
2a Total GHG Emissions ^{1,2,3,4}	49,208	48,500	42,639
2b Carbon (GHG) intensity per service hour ^{1,2,3,5}	20.25	18.95	17.50

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

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

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

⁴PM 2a targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 48,000 and 46,000, respectively.

⁵PM 2b targets for 2024/25 and 2025/26 were stated in the 2023/24 service plan as 18.75 and 17.95, respectively.

Total Greenhouse Gas emissions and Carbon (GHG) intensity per service hour decreased and were favourable to the targets for 2023/24. BC Transit increased its use of RNG for the compressed natural gas (CNG) fleet and HDRD for the diesel fleet, resulting in lower GHG emissions.

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.

All financial analysis in the Discussion of Results and Variance and Trend Analysis sections refers to the Financial Summary on page 15.

Discussion of Results

Throughout 2023/24, BC Transit experienced challenges related to labour shortages, bus parts cost inflation and labour action in the Fraser Valley region and Campbell River and Comox Valley transit systems. While BC Transit delivered a consistent number of service hours compared to 2022/23, revenues and ridership continued to increase. With these continued increases in ridership, BC Transit remains in a strong position to support economic recovery and growth through efficient delivery of affordable transit services in 2024/25.

Total revenues recognized for the year ending March 31, 2024, were \$431.9 million, an increase of \$23.0 million from fiscal 2022/23 and \$10.0 million above budget. The increase in revenue from the prior year can be largely attributed to carbon credit income of \$34.6 million, which is \$31.6 million above 2022/23. This increase was primarily due to credits earned under Part 3 agreements for battery electric bus (BEB) purchase orders, which were recognized in 2023/24. Also contributing to the overall increase in revenues in 2023/24 were additional operations revenues of \$4.9 million. Offsetting these increases is a year-over-year decrease of \$14.6 million in recognized contributions from Provincial and local governments, which is a negative budget variance of \$29.2 million. These negative variances are largely because of the realized carbon credit revenue reducing the need for Provincial and local government contributions during 2023/24.

Total expenses (excluding amortization and interest) for the year ending March 31, 2024, were \$358.4 million, an increase of \$23.2 million over 2022/23. Operations expenses (excluding fuel, amortization and interest) increased \$14.4 million due to general wage increases under the Shared Recovery Mandate, contracted service cost increases in regional systems and the implementation of Umo. This was offset by a year-over-year decrease in fuel of \$3.0 million, which was due to lower fuel prices in addition to savings from labour actions. Maintenance expenses (excluding amortization and interest) increased \$9.5 million due to general wage increases and inflation on parts and materials. Administration costs (excluding amortization and interest) increased \$2.1 million due to general wage increases and increases in consulting and legal fees, offset by a reduction in recruitment expenses.

Total expenses (excluding amortization and interest) for the year ending March 31, 2024, were \$5.8 million above budget. Operations expense was \$5.3 million below budget due to savings from fuel, labour shortages, labour action and delayed timing for the implementation of Umo, partially offset by unbudgeted general wage increases. Maintenance expense was \$88.0 million, \$6.5 million above budget. This variance is attributable to unbudgeted general wage

increases and inflationary increases for parts and materials, in addition to facility repairs, particularly in Victoria. Administration costs were \$4.6 million above budget due to the general wage increase, information systems (software and hardware upgrades), marketing and consulting expenses.

Amortization and interest expense for the year ending March 31, 2024, totalled \$74.3 million, a decrease of \$0.4 million from the prior year and \$4.9 million above budget. Amortization expense was above budget primarily due to earlier than budgeted in-service dates for NextRide technology and light duty bus replacements.

The loss from operations of \$0.7 million was attributable largely to expenses related to BC Transit Management Services (BCTMS). These expenses exceeded eight per cent of direct operating costs in several regional transit systems, largely due to the impacts of labour actions on operating costs within the year, and so a portion of these expenses were ineligible to be funded by the Province and local government partners through the BC Transit Operating Program Contribution Agreement.

Financial Summary

(\$000s)	2022/23 Actual	2023/24 Actual	2023/24 Budget	2023/24 Variance
Revenues				
Operations	74,177	79,121	76,823	2,298
Government Transfers				
Provincial	141,067	136,841	150,557	(13,716)
Local Government	141,090	130,676	146,120	(15,444)
Deferred capital contributions	46,441	47,226	42,479	4,747
Carbon credit income	2,975	34,560	3,352	31,208
Investment and other income	3,232	3,521	2,616	905
Total Revenue	408,982	431,945	421,947	9,998
Expenses				
Operations				
Operations (excl. fuel)	176,821	191,253	187,788	(3,465)
Fuel	35,979	33,025	41,808	8,783
Amortization and interest	69,526	68,421	64,446	(3,975)
Total operations	282,326	292,699	294,042	1,343
Maintenance				
Fleet	63,215	72,358	66,515	(5,843)
Facilities	15,221	15,627	14,939	(688)
Amortization and interest	3,346	3,867	3,282	(585)
Total maintenance	81,782	91,852	84,736	(7,116)
Administration				
Administration	43,962	46,095	41,497	(4,598)
Amortization and interest	1,874	2,026	1,672	(354)
Total administration	45,836	48,121	43,169	(4,952)
Total Expenses	409,944	432,672	421,947	(10,725)
Annual Operating Surplus (Deficit)	(962)	(727)	-	(727)
Non-Operating Items				
Disposals, gain on investment & other	(43)	(875)	-	(875)

Contributions for land purchase	2,743	45,435	-	45,435
Total Non-Operating Items	2,700	44,560	-	44,560
Surplus (deficit)	1,738	43,833	-	43,833
Total Liabilities	627,687	734,140	728,815	5,325
Capital Expenditures	100,544	157,990	232,462	74,472
Accumulated Surplus	20,377	63,314	23,730	39,584

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

Variance and Trend Analysis

Passenger Trips and Service Hours

Ridership trends in 2023/24 show strong growth over 2022/23. 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>	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual
Passenger trips	26,958	38,232	49,176	54,128
% increase		41.8%	28.6%	10.1%
Service Hours (000s)	2,339	2,386	2,382	2,383
% increase		2.0%	-0.2%	0.0%

The Victoria Regional Transit System and the regional transit systems' (RTS) conventional passenger trips were 1.1 million (5 per cent) and 1.5 million (6 per cent) higher than forecasted, respectively. Total custom/paratransit system passenger trips increased and were above budget by 144,000 (8 per cent).

Overall passenger trips were up 5.0 million from the previous year and this continues to be largely attributable to ridership growth following the COVID-19 pandemic.

The total service hours provided in 2023/24 were 188,000 hours below budget due to labour shortages in Victoria throughout the year and labour disruptions in the Fraser Valley region from the beginning of 2023/24 until August 2023 and in Campbell River and Comox Valley in winter 2023/24. Total service hours were higher year-over-year by 1,000 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, 2024, were \$431.9 million, an increase of \$23.0 million over fiscal 2022/23 and \$10.0 million above budget. The total revenues were higher than forecasted because of strong ridership versus budget, carbon credit income being recognized following purchase orders for BEBs, and deferred capital contributions due to the advancement of in-service dates for vehicles and implementation of NextRide and Umo. This was offset by a budget reduction of \$29.2 million in Provincial and local government contributions due to the recognized carbon credit revenue reducing the amount required from Provincial and local government contributions. Labour shortages and job action contributed to lost fare revenues in the affected transit systems.

Operations Revenue

Operations revenue (passenger fares and advertising, including Provincial contributions for BC Bus Pass and fare-free transit for children 12 and under), for the year ending March 31, 2024, was \$79.1 million, an increase of \$4.9 million over 2022/23 and \$2.3 million above budget. The increases can be attributed to higher than budgeted ridership growth and increased transit pass sales.

Provincial Contributions

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, 2024, were \$136.8 million, \$13.7 million below budget. This variance is due mainly to the receipt of \$34.6 million in carbon credit revenues (of which 43 per cent is attributed to the Province) resulting in a reduction in the required Provincial operating contributions and a restricted contribution of \$12.9 million in funding for the carbon credit reserve. Additionally, there were operating cost savings from labour disruptions and lower fuel costs. These were offset by the additional funding required for the general wage increases under the Shared Recovery Mandate, which were not budgeted as collective agreements were not ratified when finalizing the 2023/24 Service Plan. Provincial contributions were \$4.2 million lower than in 2022/23, which was a result of \$12.9 million in contributions being restricted due to the higher than budgeted carbon credit revenues received.

Local Government Contributions

Local government transfers were \$130.7 million, a decrease of \$10.4 million from 2022/23 and \$15.4 million below budget. Local government transfers were below budget due to higher than budgeted revenues from operations, lower service hours and the recognition of \$34.6 million in carbon credit revenues (of which 57 per cent is attributed to the local government share) which reduced the required local government operating contributions and resulted in a deferred service contribution of \$17.2 million. Local government contributions were \$10.4 million lower than in 2022/23, which was largely as a result of \$17.2 million in deferred service contributions from carbon credit revenues.

Deferred Capital Contributions

The recognition of deferred capital contributions was \$47.2 million for the year ending March 31, 2024, an increase of \$0.8 million over fiscal 2022/23 and \$4.7 million above budget. These positive variances can be attributed to the advancement of in-service dates for vehicles and the implementation of Umo and NextRide.

Carbon Credit Income

Due to the materiality of carbon credit income in 2023/24, it is highlighted separately in this Annual Report. Carbon credit income for the year ending March 31, 2024, was \$34.6M, an increase of \$31.6 million over fiscal 2022/23 and \$31.2 million above budget. This increase is largely due to credits earned under Part 3 agreements for BEB vehicle purchase orders.

Investment and Other Income

Investment and other income for the year ending March 31, 2024, was \$3.5 million, an increase of \$0.3 million over fiscal 2022/23 and \$0.9 million above budget. This balance consists of interest earned on sinking funds, rental income on strategic properties held for long-term transit development being leased in the short-term, and other miscellaneous income. This balance no longer contains carbon credit income and so all variances are exclusive of this.

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, 2024, were \$432.7 million, an increase of \$22.7 million over fiscal 2022/23 and \$10.7 million above budget.

The increase over fiscal 2022/23 can be attributed to general wage increases under the Shared Recovery Mandate, contracted service cost increases in regional systems as well as inflationary cost increases for materials and supplies. Further, general wage increases were not included in the budget, as the collective agreements were not ratified at the time of the 2023/24 Service Plan publication, thus creating a negative variance on the budget.

Offsetting these cost pressures were savings due to below budgeted service hours as a result of labour shortages and labour action, savings on fuel due to lower fuel prices, savings on insurance due to favourable negotiations and delayed implementation of Umo.

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 and third party contracted operations. Operations expenses for the year ending March 31, 2024, were \$191.3 million, \$14.4 million over fiscal 2022/23 and \$3.5 million above budget. Expenses were above budget due to general wage increases under the Shared Recovery Mandate, partially offset by

lower than budgeted service hours (due to both labour shortages and labour disruptions), lower insurance expenses and delayed implementation of the electronic fare collection system.

<i>Figures in thousands</i>	2022/23	2023/24	2023/24	Variance Year		Variance to	
	Actual	Actual	Budget	Over Year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Operation (excl. fuel, amortization and interest)	176,821	191,253	187,788	(14,432)	(8.2)	(3,465)	(1.8)

Fuel Expense

Fuel expense for the year ending March 31, 2024, was \$33.0 million, a decrease of \$3.0 million against fiscal 2022/23 and \$8.8 million below budget. The decrease from fiscal 2022/23 is attributable to overall lower market rates for diesel fuel. For 2023/24, the average diesel fuel price was \$1.59 per litre, compared to a budget of \$2.05 per litre. This compares to \$1.78 per litre in 2022/23.

<i>Figures in thousands</i>	2022/23	2023/24	2023/24	Variance Year		Variance to	
	Actual	Actual	Budget	Over Year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Fuel	35,979	33,025	41,808	2,954	8.2	8,783	21.0

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 CNG, RNG and electric buses.

Maintenance Expense

<i>Figures in thousands</i>	2022/23	2023/24	2023/24	Variance Year		Variance to	
	Actual	Actual	Budget	Over Year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Fleet (excl. amortization and interest)	63,215	72,358	66,515	(9,143)	(14.5)	(5,843)	(8.8)
Facilities (excl. amortization and interest)	15,221	15,627	14,939	(406)	(2.7)	(688)	(4.6)

Total Maintenance Expense	78,436	87,985	81,454	(9,549)	(12.2)	(6,531)	(8.0)
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Fleet Maintenance

Fleet maintenance expenses (excluding amortization and interest) for the year ending March 31, 2024, were \$72.4 million, an increase of \$9.1 million from fiscal 2022/23 and \$5.8 million above budget. The increase from the prior year is attributable to inflationary cost increases for labour, parts and materials. Fleet maintenance expense is above budget due to general wage increases and parts and material inflation, particularly in Victoria, offset by lower service hours delivered due to labour shortages and labour action.

Fleet maintenance expenditures are a function of fleet size, 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 1, 2024, BC Transit had 1,105 buses in service (not including contingency vehicles). The fleet was comprised of 56 high-capacity buses, 530 heavy-duty buses, 188 medium duty buses and 331 light duty buses.

Bus Type	Total	Victoria Region	Other Regions
High Capacity	56	56	0
Heavy Duty	530	195	335
Medium Duty	188	39	149
Light Duty	331	55	276
Total	1,105	345	760

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 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. 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, BC Transit 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 is still being used to manage vehicle assets. This approach, which involves capitalizing and amortizing individual components, provides a more accurate representation of the useful life of the expenditures associated with LRMP assets.

Facilities Maintenance

Facilities maintenance expenses (excluding amortization and interest) for the year ending March 31, 2024, were \$15.6 million, an increase of \$0.4 million over fiscal 2022/23 and \$0.7 million above budget. The increase from fiscal 2022/23 can be attributed to higher leases, property taxes and CNG infrastructure expenses. The variance from budget is predominantly due to Victoria conventional facility repairs and maintenance.

In 2023/24, 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. However, 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 operating facilities, and identify improvements to transit priority measures, park and rides, and transit exchanges.

Administration Expense

<i>Figures in thousands</i>	2022/23	2023/24	2023/24	Variance Year		Variance to	
	Actual	Actual	Budget	Over Year		Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Administration (excluding amortization and interest)	43,962	46,095	41,497	(2,133)	(4.9)	(4,598)	(11.1)

Total administrative expenses (excluding amortization and interest) for the year ending March 31, 2024, were \$46.1 million, an increase of \$2.1 million over fiscal 2022/23 and \$4.6 million above budget. The variance from budget is primarily due to ratified general wage increases,

marketing, information technology and consulting expenses. The increase from the prior year is attributed to increases in labour, third party contract negotiations in the regional transit systems, consulting and legal 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.

In 2023/24, 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.

Debt Service

<i>Figures in thousands</i>	2022/23 Actual	2023/24 Actual	2023/24 Budget	Variance Year Over Year		Variance to Budget	
	(\$)	(\$)	(\$)	(\$)	(%)	(\$)	(%)
Interest	5,956	6,929	6,415	(973)	(16.3)	(514)	(8.0)
Amortization	68,791	67,385	62,984	1,406	2.0	(4,401)	(7.0)
Total Debt Service	74,747	74,314	69,399	433	0.6	(4,915)	(7.1)

Amortization and interest expense for the year ending March 31, 2024 was \$74.3 million, a decrease of \$0.4 million from fiscal 2022/23 and \$4.9 million above budget. Amortization expense was \$4.4 million above budget due to the advancement of in-service dates of some capital projects, including fleet purchases. Interest expense was \$0.5 million above budget due to increases in short-term debt and short-term borrowing costs.

Non-Operating Items

Net losses on disposal of assets, investment gains, and other expenses totaled \$0.9 million as BC Transit retired the first generation of NextRide assets and incurred a write-down due to the cancellation of a vendor contract for battery electric buses. Contributions for the purchase of land in Chilliwack and Squamish totaling \$45.4 million were received during the year. This revenue represents provincial and local funding for land acquired. Transit facilities are planned

for future construction on the acquired sites 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 and carbon credit gains and losses. 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. Management monitors the exposure to carbon credit market volatility. Risk mitigation strategies include engaging market specialists to broker and sell credits, working to secure new credit agreements, and managing the timing of credit sales to maximize value.

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 to, and even exceeding, 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 transit services across systems.

Capital Expenditures

The capital portfolio and its related financing is a major driver of the Consolidated Statement of Financial Position. Capital expenditures during 2023/24 focused primarily on the acquisition of land for new facilities, new buses, and construction of new operations facilities, such as the Victoria regional handyDART facility.

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 ICIP contribution agreement with the Province, for projects eligible for federal funding contribution. 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 2033/34.

The following illustrates the categories of capital project expenditures in fiscal 2023/24 (in thousands of dollars):

2023/24 Capital Expenditures by Project Categories	Total
Vehicles	\$61.5M
Land	\$49.6M
Buildings	\$30.8M
Other (IT, equipment, technology)	\$11.2
Exchanges, shelters and other transit infrastructure	\$4.9M
Total Capital Expenditures in 2023/24	\$158.0M

Capital expenditures were \$74.5 million below planned expenditures of \$232.5 million. Vehicle projects spent \$31.6 million less than planned, primarily due to delays in BEB delivery timelines. Equipment and technology project were \$0.1 million less than planned as a result of updated forecasts for various projects. Building projects spent \$51.1 million less than planned, primarily due to changes in cash flow timing for the new Victoria regional handyDART operations and maintenance facility and delays in the implementation of infrastructure to support the first phase of BEB deployments. Transit exchange projects expenditures were \$15.5 million less than planned, primarily due to delays in receiving funding approvals. Land

projects were \$23.3 million higher than planned, primarily due to the accelerated acquisition of a new site in Chilliwack.

Major Capital Projects (over \$50 million in total)	Targeted Year of Completion	Project Cost to Mar 31, 2024 (\$m)	Estimated Cost to Complete (\$m)	Anticipated Total Cost (\$m)
Victoria handyDART Operating and Maintenance Facility	2025/26	41.9	41.6	83.5

Objective: The construction of a new handyDART operating and maintenance facility in the Town of View Royal.

Costs: Costs for this project will be shared between the local government, the Province and the federal government

Benefits:

- The new facility will support existing and future levels of service, provide operational efficiencies and allow for the future accommodation of low carbon bus fleets

Risks:

- Short-term operational and performance issues as staff adapt to new facilities
- Additional deadhead costs relative to existing site

Significant IT Projects (over \$20 million in total)	Targeted Year of Completion	Project Cost to Mar 31, 2024 (\$m)	Estimated Cost to Complete (\$m)	Anticipated Total Cost (\$m)
Electronic Fare Collection System	2025/26	15.4	9.4	24.8

Objective: BC Transit has initiated a capital project to implement an Electronic Fare Collection System. This transformational project improves the customer experience by introducing new forms of payments including mobile app and contactless credit cards.

Costs: Costs for this project will be shared between the local governments, the province and the federal government

Benefits:

- The new fare payment system will mitigate the risk of equipment failure, obsolescence and increasing maintenance costs
- Customers will be able to pay using a variety of means and the accuracy of data sources on payment options/preferences will be available to enable better business decisions
- Accurate fare revenue and ridership data
- Paper/swipe card fare media will decrease/be phased out over time

Risks:

- Payment information must be treated with the highest degree of privacy protection and adhere to payment industry standards
- Increased down time for each bus to install system
- There is a learning curve for BC Transit to learn new technology and business processes

Liquidity and Capital Resources

Cash Flows and Liquidity

The net change in cash and cash equivalents in the year was an increase of \$1.7 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 \$77.6 million in 2023/24 as compared to \$41.0 million in 2022/23.

Throughout 2023/24, BC Transit utilized its cash position and acquired short-term debt 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 2024/25 to fund the capital plan as required.

Debt

Total debt outstanding as of March 31, 2024, was \$168.2 million as compared to \$108.7 million on March 31, 2023. The increase is due to the utilization of short-term debt of \$60.0 million, available under a \$90 million loan facility through the Ministry of Finance, partially offset by one scheduled repayment of \$0.5 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. Short-term debt held at year end, has a weighted average interest rate of 5.08 per cent maturing within three months. Long-term debt has a weighted average interest rate of 4.56 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, 2024, were \$60.0 million, as compared to \$55.9 million on March 31, 2023. The increase in debt sinking funds relates to installments of \$3.5 million paid into the fund and interest earnings of \$2.1 million. This was partially offset by a redemption of \$0.4 million during the period to repay loan sinking fund and mark-to-market losses of \$0.9 million. The overall portfolio of debt sinking funds now has an accumulated loss position of \$1.7 million, as compared to an accumulated loss position of \$0.8 million on March 31, 2023.

The British Columbia Investment Management Corporation provides BC Transit with investment management services, which consist of mandatory sinking funds administered by the Debt Management Branch. 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, 2024, was \$39.6 million. The increase is attributed to an increase in accounts receivable of \$30.5 million primarily due to the timing of yearend invoices and an increase in carbon credit assets of \$25.0 million due to earned credits for the purchase orders of an electrified fleet. These working capital decreases are partially offset by increases in deferred contributions of \$20.0 million due to the deferral contributions as a result of earned carbon credits, partially offset by the budgeted use of reserves.

Accumulated Surplus

Accumulated surplus as of March 31, 2024, was \$63.3 million, an increase of \$42.9 million from March 31, 2023. The increase in the accumulated surplus primarily relates to contributions received for land of \$45.4 million partially offset by the net mark-to market losses on debt sinking funds of \$0.9 million.

Appendix A: Progress on Mandate Letter Priorities

The following is a summary of progress made on priorities as stated in the 2021/22 and 2023 Mandate Letters from the Minister Responsible

2021/22 Mandate Letter Priority	Status as of March 31, 2024
Putting people first	<ul style="list-style-type: none"> BC Transit has made service optimization changes to match service with demand and adapt to ongoing labour challenges.
Lasting and meaningful Reconciliation	<ul style="list-style-type: none"> BC Transit has completed an Indigenous Employment Roadmap and has progressed work on a Reconciliation Strategy.
Equity and anti-racism	<ul style="list-style-type: none"> BC Transit has conducted an internal inclusion survey and has made Inclusion, Diversity, Equity and Accessibility training available to all employees. A Transit Experience survey was conducted to understand customer needs through a Gender Based Analysis Plus lens.
A better future through fighting climate change	<ul style="list-style-type: none"> BC Transit's compressed natural gas (CNG) fleet has been transitioned to 100 per cent renewable natural gas (RNG). Hydrogenation-derived renewable diesel is being used in BC Transit's diesel fleet.
A strong, sustainable economy that works for everyone	<ul style="list-style-type: none"> BC Transit completed over 100 service changes in 2023/24 to support optimized transit services.
Rebuild confidence in public transit	<ul style="list-style-type: none"> BC Transit has developed a communicable disease plan to promote health and safety for employees, visitors, and contractors. BC Transit launched a provincial affordability campaign to continue to encourage ridership growth.

2021/22 Mandate Letter Priority	Status as of March 31, 2024
Implement fare-free transit for children 12 and under	<ul style="list-style-type: none"> Fare-free transit for children 12 and under was implemented in September 2021. BC Transit has developed a website and a school outreach program to educate students about public transit.
Encourage transit use with key projects at UVic, Uptown, and the new handyDART facility	<ul style="list-style-type: none"> The UVic transit exchange was completed in fall 2022. Site investigations are underway for a future transit exchange at Uptown. Construction of the new Victoria Regional handyDART facility in View Royal is ongoing.
Report on opportunities for integration with BC Ferries and TransLink	<ul style="list-style-type: none"> A report was completed in collaboration with the Ministry of Transportation and Infrastructure, BC Ferries and TransLink. Technical Working Groups have been developed to identify short-term and foundational action items. Integration fieldwork has been conducted.
Invest in low carbon fleet with first ten electric buses	<ul style="list-style-type: none"> A demonstration battery electric bus arrived in 2022/23 and was used for training and performance testing. BC Transit is working to prequalify vendors to support the deployment of heavy-duty battery electric buses. Installation of charging equipment at Victoria Transit Centre completed in 2023/24.
2023 Mandate Letter Priority	Status as of March 31, 2024
Deliver quality services equitably in all regions of the province	<ul style="list-style-type: none"> BC Transit has established an expansion evaluation process to distribute service expansions equitably.
Maintain up-to-date systems and effective cybersecurity practices	<ul style="list-style-type: none"> A 24/7 Security Operations Centre for cybersecurity has been implemented.

2021/22 Mandate Letter Priority	Status as of March 31, 2024
Maintain an effective fraud risk management strategy	<ul style="list-style-type: none">• BC Transit completed an Enterprise Risk Management Policy and Framework.

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, 2024

MANAGEMENT REPORT

Year ended March 31, 2024

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 (“the Province”), 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 24, 2024.

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

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

On behalf of BC Transit:



Erinn Pinkerton
President and Chief Executive Officer
May 24, 2024



Roland Gehrke, CPA CA
Vice President, Finance and Chief Financial Officer
May 24, 2024



Independent auditor's report

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

Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Transit and its subsidiaries (together, BC Transit) as at March 31, 2024 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, 2024;
- 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 rereasurement gains and losses for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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



Emphasis of matter – basis of accounting

We draw attention to note 2(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 20 to the consolidated financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

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

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

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

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

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

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

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

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



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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Surrey, British Columbia
May 24, 2024

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(In thousands of dollars)


March 31, 2024, with comparative figures for March 31, 2023

	March 31, 2024	March 31, 2023
FINANCIAL ASSETS	\$	\$
Cash and cash equivalents (Note 3)	51,664	49,936
Accounts receivable (Note 4)	80,725	50,216
Carbon credits (Note 2)	24,982	-
Debt sinking funds (Note 8)	60,004	55,855
	217,375	156,007
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	54,945	57,134
Due to Province	1,146	1,138
Deferred revenue and contributions (Note 6)	119,889	99,853
Deferred capital contributions (Note 7)	369,411	338,981
Debt (Note 8)	168,159	108,659
Employee future benefits (Note 9)	20,590	21,922
	734,140	627,687
NET DEBT	(516,765)	(471,680)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	550,794	462,312
Inventories	23,240	22,313
Prepaid expenses and deposits	3,745	4,784
Prepaid lease payments	2,300	2,648
	580,079	492,057
ACCUMULATED SURPLUS		
Accumulated operating surplus	64,970	21,137
Accumulated remeasurement (losses)	(1,656)	(760)
	63,314	20,377

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 24, 2024



Blair Redlin, Director
May 24, 2024

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(In thousands of dollars)

Year ended March 31, 2024, with comparative figures for March 31, 2023

	Budget 2024 (Note 16)	March 31, 2024	March 31, 2023
REVENUE	\$	\$	\$
Operations (Note 14)	76,823	79,121	74,177
Government transfers:			
Provincial (Note 14)	150,557	136,841	141,067
Local government (Note 14)	146,120	130,676	141,090
Deferred capital contributions (Note 7)	42,479	47,226	46,441
Carbon credit income (Note 19)	3,352	34,560	2,975
Investment and other income	2,616	3,521	3,232
	421,947	431,945	408,982
EXPENSES (Note 15)			
Operations	294,042	292,699	282,326
Maintenance	84,736	91,852	81,782
Administration	43,169	48,121	45,836
	421,947	432,672	409,944
NET DEFICIT from operations	-	(727)	(962)
OTHER			
Disposal of capital assets			
(Loss) on disposal of capital assets	-	(2,167)	(472)
Other capital recoveries	-	1,281	438
Contributions for land purchase (Note 14)	-	45,435	2,743
Gain on investments	-	-	43
Other recovery (expenses)	-	11	(52)
		44,560	2,700
ANNUAL SURPLUS	-	43,833	1,738
Accumulated operating surplus, beginning of year	-	21,137	19,399
Accumulated operating surplus, end of year	-	64,970	21,137

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, 2024, with comparative figures for March 31, 2023

	Budget 2024 (Note 16)	March 31, 2024	March 31, 2023
	\$	\$	\$
Surplus for the year	-	43,833	1,738
Acquisition of tangible capital assets	(232,462)	(157,990)	(100,544)
Amortization of tangible capital assets	62,984	67,385	68,791
Transfers of tangible capital assets	-	(44)	-
Disposal of tangible capital assets	-	2,167	472
	(169,478)	(44,649)	(29,543)
Acquisition of inventories of parts	-	(37,681)	(37,157)
Consumption of inventories of parts	-	36,754	33,957
Acquisition of prepaid expenses and deposits	-	(10,794)	(10,617)
Consumption of prepaid expenses and deposits	-	11,833	12,007
Consumption of prepaid leases	-	348	347
	-	460	(1,463)
Realized gain reclassified to operations	-	-	(43)
Unrealized (loss) on portfolio investment	-	(896)	(2,164)
		(896)	(2,207)
Increase in net debt	(169,478)	(45,085)	(33,213)
Net debt, beginning of year	(471,680)	(471,680)	(438,467)
Net debt, end of year	(641,158)	(516,765)	(471,680)

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, 2024, with comparative figures for March 31, 2023

	March 31, 2024	March 31, 2023
	\$	\$
Accumulated remeasurement (loss) gains, beginning of year	(760)	1,447
Unrealized (loss) on investments	(896)	(2,164)
Realized gain on investments, reclassified to Consolidated Statement of Operations	-	(43)
Accumulated remeasurement (losses), end of year	(1,656)	(760)

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, 2024, with comparative figures for March 31, 2023

	March 31, 2024	March 31, 2023
Cash provided by (used for):	\$	\$
Operating transactions		
Annual surplus	43,833	1,738
Non-cash charges to operations (Note 17)	20,254	22,285
Changes in non-cash operating working capital (Note 17)	(39,631)	17,820
Cash received from operating transactions	24,456	41,843
Capital transactions		
Proceeds on disposal of tangible capital assets	393	91
Cash (used) to acquire tangible capital assets	(156,120)	(110,456)
Cash (used) for capital transactions	(155,727)	(110,365)
Investing transactions		
Purchase of debt sinking funds and investments	(5,425)	(5,727)
Redemption of debt sinking funds and investments	380	25,394
Cash (used) received from investing transactions	(5,045)	19,667
Financing transactions		
Short-term debt proceeds	100,564	-
Short-term debt repaid	(40,564)	-
Long-term debt repaid	(500)	(23,350)
Capital contributions received	78,544	69,457
Cash received from financing transactions	138,044	46,107
Increase (decrease) in cash and cash equivalents	1,728	(2,748)
Cash and cash equivalents, beginning of year	49,936	52,684
Cash and cash equivalents, end of year	51,664	49,936
Supplemental cash flow information		
Cash paid for interest	6,872	5,699
Cash received from interest	2,170	960

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, 2024, with comparative figures for March 31, 2023

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 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 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 20.

(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, 2024, with comparative figures for March 31, 2023

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, 2024, with comparative figures for March 31, 2023

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.

(i) *Carbon credits*

Carbon credits are financial assets recorded at fair value, less any selling costs. Provincial carbon credits are earned under the terms of the *Low Carbon Fuels Act* and validated by the Ministry of Energy, Mines and Low Carbon Innovation (EMLI). These financial assets are held for sale and are measured using a Level 2 valuation. Any changes in fair value are recognized in the statement of remeasurement gains and losses. Upon sale, the cumulative gain or loss is recognized in the statement of operations as carbon credit income. Realized gains or losses in the year were not significant and therefore not recorded in the year.

(ii) *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.

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 and other financial liabilities*

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

(f) *Employee Future Benefits*

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

2. Summary of Significant Accounting Policies (continued)

- (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, 2024.

(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 per cent, 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. As at March 31, 2024, BC Transit has not identified any asset retirement obligations that meet the criteria for recognition.

(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:

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

As at March 31, 2024, BC Transit has not identified any contaminated sites that meet the criteria for recognition.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

2. Summary of Significant Accounting Policies (continued)

(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.

(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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

2. Summary of Significant Accounting Policies (continued)

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

(k) **New Accounting Standard**

Effective April 1, 2023, BC Transit adopted PS3400 Revenue on a prospective basis. PS3400 defines and establishes standards for recognition, measurement, presentation, and disclosure of revenue, differentiating between revenue arising from exchange transactions with performance obligations and non-exchange transactions. BC Transit completed a review of revenue within the scope of PS3400 and determined there are no material impacts.

3. Cash and Cash Equivalents

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

	2024	2023
	\$	\$
Cash	51,087	39,369
Cash equivalents	577	10,567
Total cash and cash equivalents	51,664	49,936

4. Accounts Receivable

Accounts receivable are comprised of the following:

	2024	2023
Provincial:	\$	\$
Operating	7,188	4,447
Capital grants	18,734	13,263
	25,922	17,710
Federal:		
Capital grants	19,325	8,201
	19,325	8,201
Local governments	23,008	16,125
Trade and other	12,470	8,180
Total accounts receivable	80,725	50,216

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2024	2023
	\$	\$
Trade payables	14,511	21,084
Payable to operating companies	19,229	16,267
Payroll liabilities	11,865	14,140
Asset retirement obligation	-	339
Holdbacks payable	4,142	1,121
Interest Payable on long-term debt	3,973	2,722
Other	1,225	1,461
Total accounts payable and accrued liabilities	54,945	57,134

6. Deferred Revenue and Contributions

Deferred service funding consists of operating contributions and restricted 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:

	2024	2023
	\$	\$
Deferred service funding contributions	40,816	14,229
Deferred contributions for assets	61,544	52,298
Deferred Victoria Regional Transit Fund	16,168	32,266
Deferred sales	1,361	1,060
Total deferred revenue and contributions	119,889	99,853

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

6. Deferred Revenue and Contributions (continued)

Continuity of deferred service funding, contributions and revenue:

	2024	2023
Deferred service funding contributions:	\$	\$
Balance, beginning of year	14,229	19,016
Service funding contributions received	134,314	111,215
Service funding recognized as revenue	(107,727)	(116,002)
Balance, end of year	40,816	14,229
Deferred contributions for assets:		
Balance, beginning of year	52,298	51,371
Contributions received	32,195	26,364
Contributions recognized as revenue	(22,949)	(25,437)
Balance, end of year	61,544	52,298
Deferred Victoria Regional Transit Fund:		
Balance, beginning of year	32,266	49,383
Revenue fuel tax received	17,862	17,821
Revenue property tax received	44,189	36,720
Investment and other income received	1,664	1,608
Government transfers recognized as revenue	(79,813)	(73,266)
Balance, end of year	16,168	32,266
Deferred sales:		
Balance, beginning of year	1,060	669
Amounts received	10,805	6,516
Amounts recognized as revenue	(10,504)	(6,125)
Balance, end of year	1,361	1,060
Balance, end of year	119,889	99,853

7. Deferred Capital Contributions

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

	2024	2023
	\$	\$
Balance, beginning of year	338,981	316,312
Contributions and other additions	78,544	69,457
Impairment and disposal of capital assets	(888)	(347)
Amortization	(47,226)	(46,441)
Balance, end of year	369,411	338,981

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

8. Debt

BC Transit's long-term 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.

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, 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.

The gross amount of short-term debt, long-term debt and the amount of sinking fund assets available to retire the debt are as follows:

	2024	2023
	\$	\$
Short-term debt has a weighted average rate of 5.08%, maturing at various dates to 2024, with six-month terms.	60,000	-
Long-term debt has a weighted average rate of 4.56%, maturing at various dates to 2040, amortized from 15 to 30 years.	108,159	108,659
Total debt	168,159	108,659

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

	\$
2025	4,911
2026	12,902
2027	42,964
2028	5,661
2029	12,784
Thereafter	60,491

Investments held in sinking funds, including interest earned, are to be used to repay the related long-term debt at maturity. Gain on investments includes \$nil (2023 - \$43) of realized gains on disposition of investments in sinking funds. Sinking fund investments are managed by the BCI and have cost and market values as follows:

	2024		2023	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Provincial bonds	61,100	59,444	56,397	55,636
Money market funds	560	560	218	219
Total sinking funds	61,660	60,004	56,615	55,855

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

8. Debt (continued)

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

	\$
2025	3,433
2026	3,433
2027	3,186
2028	1,537
2029	1,470
Thereafter	4,701

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, 2024, 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:

	2024	2023
Accrued benefit liability:	\$	\$
Balance, beginning of year	21,922	22,758
Current benefit cost and event-driven expense	1,121	686
Interest	287	248
Census data revision adjustment	(1,027)	-
Amortization of actuarial gain	(1,520)	(1,337)
Benefits paid	(193)	(433)
Balance, end of year	20,590	21,922
Unamortized actuarial gain	(11,705)	(12,445)
Employee future benefit obligation	8,885	9,477

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9. Employee Future Benefits (continued)

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

	2024	2023
	\$	\$
Non-pension post-retirement benefits	4,279	5,737
Post-employment benefits	1,319	1,065
Continuation of long-term disability benefits	3,287	2,675
Total employee future benefit obligation	8,885	9,477
Unamortized actuarial gain	11,705	12,445
Total employee future benefit liability	20,590	21,922

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 12 years (2023 – 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:

	2024	2023
Discount rate	4.1% - 4.4%	3.3% - 4.1%
Expected future inflationary increases	2.5%	2.6% - 5.2%
Weighted average health care trend – end of year	6.2% in 2024 grading to 3.5% in and after 2037	6.1% in 2023 grading to 3.8% in and after 2040
Dental and MSP trend – end of year	3.5%	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 150,210 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, 2023, indicated a funding surplus of \$4,491 million for basic pension benefits. The next valuation will be as at March 31, 2026.

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, 2024, for employer contributions was \$10,123 (2023 - \$8,267).

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10. Tangible Capital Assets

Cost	Balance, March 31, 2023	Additions	Disposals	Transfers	Balance, March 31, 2024
	\$	\$	\$	\$	\$
Land	33,187	45,523	-	-	78,710
Exchanges, shelters, and other transit infrastructure	74,985	-	-	1,362	76,347
Buildings	141,815	(233)	(120)	2,502	143,964
Vehicles	586,634	-	(30,847)	59,538	615,325
Other equipment	90,990	(106)	(1,335)	10,698	100,247
Capital projects in progress	66,197	112,806	(1,784)	(74,100)	103,119
Total	993,808	157,990	(34,086)	-	1,117,712

Accumulated amortization	Balance, March 31, 2023	Disposals	Amortization	Transfers	Balance, March 31, 2024
	\$	\$	\$	\$	\$
Exchanges, shelters, and other transit infrastructure	46,459	-	5,175	-	51,634
Buildings	45,647	(95)	5,567	(29)	51,090
Vehicles	370,348	(30,560)	50,242	-	390,030
Other equipment	69,042	(1,264)	6,401	(15)	74,164
Total	531,496	(31,919)	67,385	(44)	566,918

Net book value	Balance, March 31, 2024	Balance, March 31, 2023
	\$	\$
Land	78,710	33,187
Exchanges, shelters, and other transit infrastructure	24,713	28,526
Buildings	92,874	96,168
Vehicles	225,295	216,286
Other equipment	26,083	21,948
Capital projects in progress	103,119	66,197
Total	550,794	462,312

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year Ended March 31, 2024, with comparative figures for March 31, 2023

10. Tangible Capital Assets (continued)

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
Total	912,692	100,544	(19,428)	-	993,808

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
Total	481,661	(18,956)	68,791	-	531,496

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
Total	462,312	431,031

Capital projects in progress having a value of \$103,119 (2023 - \$66,197) 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 \$2,167 (2023 - \$472) were written off.

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11. Commitments

BC Transit has entered 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:

	2025	2026	2027	2028	2029
	\$	\$	\$	\$	\$
Operating leases	2,230	2,106	1,706	1,368	519
Operating contracts	23,057	11,117	8,716	2,009	-
Vehicle purchases	18,312	52,744	-	-	-
Capital contracts	46,380	2,860	980	881	881
Total commitments	89,979	68,827	11,402	4,258	1,400

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, 2024, 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 and construction bonds where required for development permits or other activities. The letters of credit and bonds 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, 2024, there were five letters of credit and one construction bonds outstanding for a total amount of \$5,558 (2023 - \$3,581), none of which have been drawn upon.

13. Contractual Rights

BC Transit has three contractual rights contribution agreements with the Province 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 \$266,543 and provincial funding of up to \$262,826 for future fiscal years to fund eligible expenditures incurred to December 31, 2033, as defined within the agreement.
- (ii) Funding to acquire tangible capital assets as part of Canada's Zero Emission Transit Fund Program. Approved projects under the contribution agreement allow federal funding of up to \$81,839 for future fiscal years to fund eligible expenditures incurred to September 30, 2025, as defined within the agreement.
- (iii) Receipt of carbon credits for meeting milestones in the progression of low-carbon fleet projects including the purchase of light and heavy-duty buses and their charging infrastructure. The phased agreements grant up to 31,154 carbon credits through to December 31, 2025.

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14. Government Transfers

The transfers reported on the statement of operations are:

	2024	2023
Government transfers:	\$	\$
Provincial contributions:		
Operating transfers	136,841	141,067
Deferred capital contributions	28,347	28,162
Write-off of capital assets	789	176
Contributions for land purchase	45,319	1,448
	211,296	170,853
Federal contributions:		
Deferred capital contributions	17,108	16,833
Write-off of capital assets	99	151
	17,207	16,984
Local government contributions:		
Transfers under cost share agreements	130,676	141,090
Deferred capital contributions	1,349	1,039
Contributions for land purchase	116	1,295
	132,141	143,424
Other:		
Deferred capital contributions	422	407
Write-off of capital assets	1	21
	423	428
Total government transfers	361,067	331,689

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 limited average annual public fare increases to 2.3 per cent and worked with BC Transit to maintain essential transit service levels to March 31, 2024.

In 2022, BC Transit signed an extension to this agreement which provided an additional \$28.1 million in funding and extended the terms to March 31, 2025.

Included in operations revenue is \$12,361 (2023 - \$12,570) from the provincial government to pay for fares under the BC Bus Pass and the Free Transit for Children 12 and Under programs.

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15. Classification of Expense by Object

	Budget	2024	2023
	\$	\$	\$
Salaries, wages, and benefits	110,497	125,425	112,539
Contracted management fees, wages, and benefits	127,123	123,133	118,316
Amortization of capital assets	62,984	67,385	68,791
Fuel and lubricants	42,182	33,637	36,573
Fleet maintenance	27,349	28,866	24,650
Information systems	9,275	10,331	8,275
Facility maintenance	7,186	8,233	8,156
Interest	6,415	6,929	5,956
Insurance	7,492	6,716	6,051
Leases and taxes	5,607	5,573	5,014
Corporate expenses	5,167	4,585	4,577
Marketing and communications	2,276	3,035	3,201
Local government expenses	2,523	2,523	2,462
Contracted and professional fees	1,547	2,475	1,826
Taxi programs	1,909	2,083	1,717
Travel and meetings	1,500	1,432	1,185
Major projects and initiatives	915	311	655
Total operating expenses	421,947	432,672	409,944

16. Budget Data

The budget data presented in these consolidated financial statements was included in the 2023/24-2025/26 Service Plan, approved by the Board of Directors on February 2, 2023, and by the Government of British Columbia on February 10, 2023.

17. Additional Information for the Statement of Cash Flows

	2024	2023
Non-cash charges to operations:	\$	\$
Amortization of tangible capital assets	67,385	68,791
Amortization of prepaid lease	348	347
Gain on the disposal of debt sinking funds	-	(43)
Loss on the disposal of tangible capital assets	886	34
Amortization of deferred capital contributions	(47,226)	(46,441)
Long-term disability benefits expense	(1,139)	(403)
	20,254	22,285
Changes in non-cash operating working capital:		
Accounts receivable	(30,509)	21,137
Accounts payable and accrued liabilities	(2,189)	9,103
Carbon credits	(24,982)	-
Due to Province	8	497
Deferred revenue and contributions	20,036	(20,586)
Employee future benefits	(193)	(433)
Inventories	(927)	(3,200)
Prepaid expenses and deposits	1,039	1,390
Net change in accrued acquisition of tangible capital assets	(1,914)	9,912
	(39,631)	17,820

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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. Carbon credits, 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 or financial asset 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 and carbon credit gains and losses. Management continually monitors the exposure to fuel 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. Management monitors the exposure to carbon credit market volatility. Risk mitigation strategies include engaging market specialists to broker and sell credits, working to secure new credit agreements, and managing the timing of credit sales to maximize value.

Interest Rate Risk

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

Foreign Exchange Risk

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

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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.

Estimated impact of a 1% change on annual surplus:	\$
Interest rate risk	547
Foreign exchange risk	571
Commodity risk (fuel)	386
Carbon credit market risk	250

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.

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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), other than carbon credit income which was received from the province in the year.

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:

- i. As at March 31, 2024, an increase in deferred capital contributions of \$369,411 (2023 - \$338,981), and a decrease in accumulated surplus by the same amounts;
- ii. For the year ended March 31, 2024, an overall increase in the annual surplus of \$30,430 (2023 - \$22,669).

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 (2023 - \$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 and Local Government Partners for its continued existence and ability to carry out its normal activities.

23. Comparative Information

To facilitate understanding, presentation of comparative information for carbon credit income has been reclassified from investment and other income.