2016 Year-End Financial and Performance Report

TRANSLINK

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Caution Regarding Forward-Looking Statements

From time to time, TransLink makes written and/or oral forward-looking statements, which may appear in this document and in other communications. In addition, representatives of TransLink may make forward-looking statements orally to analysts, investors, the media and others.

Forward-looking statements, by their nature, require TransLink to make assumptions and are subject to inherent risk and uncertainties. In light of the uncertainty related to the financial, economic, and regulatory environments, such risks and uncertainties, many of which are beyond TransLink's control, and the effects of which can be difficult to predict, may cause actual results to differ materially from the expectations expressed in the forward-looking statements.

1. Financial and Performance Summary

As the integrated, multi-modal transportation authority for Metro Vancouver, TransLink plans, finances, and operates the transportation network to help meet the needs of this region. Our vision is to create a better place to live, built on transportation excellence. Guided by our regional transportation strategy, we work to connect the region and enhance its livability by providing a sustainable transportation system network.

Over the next 30 years, Metro Vancouver will welcome more than one million new residents and 600 thousand new jobs. Our transportation network needs improvements to meet both current and future demand. In 2016, we successfully delivered on our priorities as a continued commitment to our customers. Notably we:

- Completed the Compass rollout using a phased approach to ensure a smooth transition. Compass allows our customers to travel seamlessly across the TransLink transit network with one card. It also allows us to gather important travel patterns, which allows us to plan in order to best utilize our assets and maximize the customer experience;
- Introduced wireless connectivity in the Dunsmuir and Edmonds tunnels and free Shaw Wi-Fi connection for customers on all SeaBus vessels;
- Rolled out seven new Mark III trains. Each four-car set is fully articulated (you can walk from one end of the train to the other), has more room for standing passengers, wheelchairs, bicycles, strollers and riders with luggage. The new vehicles are more environmentally efficient;
- The opening of the new Hamilton Transit Centre has the capacity for 300 40-foot buses, including up to 80 community shuttle buses and 150 Compressed Natural Gas (CNG) fuelled buses;
- Completed the Rehabilitation of the Pattullo Bridge a month early, reducing the inconvenience to our road users;
- Launched the Evergreen Extension to the Millennium Line, proudly claiming the distinction of the longest, fully automated, driverless rapid-transit system in the world;
- Received approval for funding of Phase One of the 10-Year Vision. Phase One improvements include; increased and new Bus, HandyDART, and Rail service, safer walking and cycling routes and increased contributions to the major road network. With funding approval, we were able to proceed with an order for 28 new Mark III SkyTrain cars in December;
- Successfully launched our ninth bond issue, bringing in $150 million for financing capital projects as outlined in the 10-Year Investment Plan for Metro Vancouver. As Canada's only transit agency to raise funds directly through Canadian debt capital markets, TransLink has raised $1.33 billion since 2010;
- Ended 2016 with record ridership, an increase of approximately 4.5 per cent over 2015.

For the 12 months ending December 31, 2016, resulted in a $668.4 million surplus on a Public Sector Accounting Board (PSAB) basis. Excluding gain on disposal, the surplus is $246.2 million. This is $86.2 million higher than the prior year and $74.1 million higher than budget. Key factors resulting in better-than-budget results include:

- Higher revenue mainly from Fares, Fuel tax;
- Lower diesel fuel costs due to market prices;
- Lower lease costs due to early buy out of 28 West Coast Express railcars in December 2015;
- Recovery of a prior year expense relating to the financing of the Evergreen extension;
- Lower funding contributions to municipalities due to timing.

Offset by:

- Lower government transfers due to timing of related project spend;
- Higher fare media costs and credit card fees associated with direct fare product sales including Compass cards and tickets;
- Higher maintenance and materials costs within the Bus and Rail divisions.

Key Priorities

TransLink's core mandate is the delivery of safe and reliable transportation services. Our priority is making the system better for the customers. The following is an update on the six priorities that guided the organization in 2016. Highlights of 2016 include:

1. Safety and Security – *Continually improve the current record of safe and secure operations.*

The safety and security of customers, staff and assets remain a primary focus. TransLink committed to take action on all of the recommendations in the 2014 Independent Review of SkyTrain by 2019. To date, 10 of the 20 recommendations have been implemented, and the others are all underway, in various stages of planning or implementation.

The Asset Management Plan for the enterprise was developed in summer 2016. An Asset Management System is important for the organization to evaluate its assets condition to ensure they are kept in good repair. A proof-of-concept Asset Portfolio System is now operational. A Decision Support Tool for capital investments was piloted as part of the 2017 capital planning cycle. The functional requirements for the modernization of the British Columbia Rapid Transit Company Ltd. (BCRTC) operations asset management system are being defined, with system deployment scheduled to start in 2017.

The Safety Management System (SMS) revisions at Coast Mountain Bus Company are on track. Approximately 75 per cent of the elements have been implemented to date, with full implementation in maintenance expected in the first quarter of 2017, and full implementation across the organization in 2018. Existing safety program components are being transferred to the new SMS on an ongoing basis.

Work on preparing an enterprise-wide safety strategy including the enhancement of our Emergency, Disaster Recovery and Business Continuity Plans will continue into 2017 with plans to consolidate existing emergency preparedness, disaster recovery and business continuity plans across the enterprise.

2. Improving Customer Service and Experience – *Continually improve customer satisfaction and employee engagement ratings.*

We run a safe, reliable, and efficient transit system, and our customer satisfaction rating continues to hold steady at 7.6 out of 10. This last quarter saw customers dealing with a number of challenging situations including service disruptions on the West Coast Express and delays due to winter storms. Our staff worked hard behind the scenes to maintain service and keep customers informed and respond in a timely manner to inquiries and concerns received by phone, letter, email or on social media during these periods. We also delivered improved customer service on SkyTrain and bus; adjusting the SkyTrain routes in October, opening the Millennium Line Evergreen Extension in December and implementing one of the largest service changes in our history at the end of the year. For each initiative we had a robust public awareness campaign that included print and digital advertisements, media relations and customer outreach. We will continue to engage customers in the development of the new Customer Experience Strategy that aims to improve the experience our customers have with TransLink.

3. Increasing Ridership – *Increase annual ridership at or above the annual rate of population growth.*

The opening of the Evergreen Extension in December 2016 provided a rapid transit connection to the North East Sector. This also provided an opportunity to realign the bus network in that part of the region to make bus service more direct, reliable and integrated with the Millennium Line Evergreen Extension and deliver on changes identified in the Northeast Sector Area Transit Plan and the 2015 Transit Network Consultation.

In 2016 TransLink also made changes to reallocate resources from routes with low productivity to those with higher customer demand. Over the course of 2016, over 80 changes to the bus network were made. These will result in greater customer convenience, reliability and help facilitate future ridership growth.

Compass data became available for ridership estimation in 2016. The change in data sources and methodology means that comparisons to 2015 are difficult. Year-end estimates suggest 2016 system-wide boardings are approximately 4.5 per cent higher than 2015.

With the introduction of Compass, TransLink is leveraging the data to provide more service where needed in order to further enhance the customer experience and increase ridership.

4. Modernizing BCRTC – *Achieve and maintain a State of Good Repair.*

In 2016, BCRTC placed significant resources into maintenance and preparations for the opening of the Evergreen Extension of the Millennium Line as well as successfully launching all seven new four-car Mark III trains into revenue service. These new trains have been providing extra capacity and improved ride quality and customer experience along the Expo Line. These continuous four-car trains are the first rolling stock additions to the fleet since 2010 and increases the number of train cars to 286.

BCRTC has also dedicated resources towards further progression of the independent SkyTrain review recommendations including rail grinding on the entire network. This maintenance work improves the ride quality experience of our customers and reduces noise for our neighbours along the SkyTrain network.

5. Building a Performance Measurement Culture – *Demonstrate outcomes delivered for funding provided.*

TransLink provides an essential public service and must manage the expectations of multiple stakeholders to whom we are accountable. In 2016, we moved forward with strategies that focus on: measurable outcomes, aligning resources, defining key performance indicators, and tracking our performance on a regular basis. An Accountability Centre was added to the TransLink.ca website. Included in this centre is a performance dashboard that includes Ridership, Customer Satisfaction, Safety and Security, Service Quality, Efficiency, and Environment.

6. Building Public Trust and Confidence – *Build public trust and confidence in TransLink.*

A good reputation and strong brand helps to increase ridership; attract and retain top talent; and improve customer service, stakeholder engagement and communication with the public at large. Our efforts to build public trust and confidence include increasing stakeholder engagement and public consultation activities; continuous improvement towards being more open, transparent and accountable and improving the customer experience. In 2016 we engaged customers and stakeholders across the region on nearly a dozen matters including the Transit Fare Review, the Millennium Line Broadway Extension, the Surrey-Newton-Guildford LRT and the 10-year Investment Plan. Consultation opportunities included in-person events, online surveys and outreach activities. The Accountability Centre as mentioned above includes a performance dashboard, regional snapshot, and a section on transparency. TransLink holds open Board meetings where the public is welcome and able to provide both comments and questions for the Board of Directors and Senior Executives.

Strategic Regional Transportation Investments

In 2016, we worked on applications to secure federal and provincial funding on several major transportation investments. The investments include:

Replacement of Pattullo Bridge: In 2016, we continued to work on procurement readiness for a new bridge with a target to be ready for procurement in the latter half of 2017. Until the replacement bridge is completed we will ensure it is safe for operations.

Rapid Transit projects: The Millennium Line Broadway Extension and South of Fraser Rapid Transit Project were identified as regional priorities in the Mayors' Council vision. In 2016 we made progress on draft business cases to help set the groundwork to secure senior government funding. The Phase One funding announced in 2016 through the Public Transit Infrastructure Fund (PTIF) will allow these two projects to progress to the procurement readiness stage.

On March 22, 2016, the Government of Canada announced its PTIF Program and an initial investment of $370 million into transit for Metro Vancouver. This is welcome news and brings the region closer to moving forward with the critical infrastructure projects identified in the Mayors' Vision that require funding from senior government partners. In December, the Government of BC and TransLink officially signed an agreement to allow the transfer of PTIF and provincial funds to TransLink for Phase One transit improvements. This allowed TransLink to place an order for 28 new SkyTrain cars and proceed with other significant new transit investments throughout the region. We are continuing to work with federal, provincial and municipal partners to ensure we are ready to deliver on these important investments.

2. 5 Year Summary

Year ended December 31 (all numbers in millions unless otherwise stated)	2012	2013	2014	2015	2016	COMPARISON TO 2015 [7] Fav / (Unfav)	%	Compound Annual Growth Rate (CAGR) [7]
FINANCIAL INDICATORS								
Unrestricted cash and investments [1]	257	288	257	272	333	61	22.6%	6.7%
Tangible capital assets	4,386	4,451	4,512	4,607	4,868	261	5.7%	2.6%
Net direct debt [2]	1,914	1,913	1,933	1,990	2,150	(160)	(8.0%)	2.9%
Indirect P3 debt [3]	1,675	1,664	1,647	1,623	1,598	25	1.6%	(1.2%)
Total net direct debt and indirect P3 debt	3,589	3,577	3,580	3,613	3,748	(135)	(3.7%)	1.1%
Gross interest cost as a % of operating revenue	14.3%	13.3%	13.1%	12.4%	12.0%	0.4%	3.2%	(4.3%)
OPERATING INDICATORS								
Scheduled Transit Service								
Overall performance rating (out of 10)	7.7	7.6	7.6	7.5	7.6	0.1	1.3%	(0.3%)
Service hours [4]	6.3	6.2	6.2	6.2	6.4	0.2	2.7%	0.1%
Total Cost recovery ratio [5]	52.1%	56.1%	53.7%	53.6%	55.0%	1.4%	2.7%	1.4%
Operating cost per capacity kilometre *[6]	$ 0.078	$ 0.079	$ 0.082	$ 0.084	$ 0.085	$ (0.001)	(1.6%)	2.4%
Complaints per million boarded passengers *	88.9	103.6	96.0	94.2	98.7	(4.5)	(4.8%)	2.6%
Access Transit Service								
Number of trips (thousands)	1,209	1,181	1,169	1,205	1,227	23	1.9%	0.4%
Operating cost per trip*	$ 38.56	$ 39.91	$ 40.30	$ 40.64	$ 40.95	$ (0.31)	(0.8%)	1.5%
Number of trips denied (thousands)	37.7	42.4	16.9	1.6	3.6	(1.9)	(120.6%)	(44.6%)
Complaints per million boarded passengers*	1,037.8	1,045.2	1,079.7	997.4	1,076.9	(79.5)	(8.0%)	0.9%
Golden Ears Bridge								
Crossings	10.8	11.0	11.7	12.7	13.5	0.8	6.5%	5.8%
Average toll per crossing *	$ 3.45	$ 3.29	$ 3.60	$ 3.65	$ 3.70	$ 0.05	1.3%	1.7%
Ridership								
Boarded passengers (system)	363.2	355.2	356.9	364.3	386.2	21.9	6.0%	1.5%
Revenue passengers (system)	238.8	233.9	234.6	238.8	n/a			
Journeys (system)	n/a	n/a	n/a	n/a	234.2			
Average fare per revenue passenger (scheduled)*	$ 1.88	$ 2.06	$ 2.05	$ 2.06	n/a			
Average fare per journey (scheduled)*	n/a	n/a	n/a	n/a	$ 2.24			
REGIONAL INDICATORS								
Population of Service Region	2.4	2.4	2.5	2.5	2.6	0.1	2.0%	1.5%
Employment of Service Region	1.2	1.2	1.3	1.3	1.4	0.1	4.9%	2.1%

* Per unit calculation

[1] This represents the accumulated funded resources as calculated under the SCBCTA Act and is the amount of resources available to fund future operations

[2] Includes bonds, debentures, capital leases, short-term debt net of sinking funds and debt reserve deposits

[3] Includes Deferred concessionaire credit for Canada Line and Contractor liability for Golden Ears Bridge

[4] Restated in some prior years to reflect Rail division year end adjustments

[5] Includes operating costs of Bus, Rail, Transit Police and Corporate On-going (restated to exclude Corporate one-time and Access Transit costs)

[6] Includes operating costs of Bus, Rail and Transit Police (excludes Corporate and Access Transit costs)

[7] Calculations based on whole numbers

Financial Indicators

TransLink's unrestricted cash and investments is the new measure for representing the accumulated funding resources as required under the South Coast British Columbia Transportation Authority (SCBTA) Act. This represents the amount of resources available to fund future operations. The Compound Annual Growth Rate (CAGR) since 2012 is 6.7 per cent. Compared to 2015, unrestricted cash increased $61 million due to higher fare and taxation revenues. These funds are accounted for in the 10 Year Investment Plan.

Capital assets increased from $4.4 billion in 2012 to $4.9 billion in 2016. This represents a CAGR increase of 2.6 per cent. Compared to 2015, capital assets increased $261 million (5.7 per cent) due to additions from the acquisition of revenue vehicles, and completion of Expo Line Propulsion Systems, Hamilton Transit Centre and the Evergreen Extension.

Net direct debt increased by $236 million since 2012, a 2.9 per cent CAGR, to fund Capital Projects. Net direct debt increased $160 million (8.0 per cent) over 2015 due to additional borrowing to finance capital spending.

Indirect P3 debt declined by $77 million, a 1.2 per cent CAGR since 2012. Compared to 2015, Indirect P3 debt declined by $25 million (1.6 per cent), mainly due to amortization of the Canada Line deferred concessionaire credit.

Gross interest costs as a percentage of operating revenues decreased by 4.3 per cent CAGR over the five year period due to lower interest rates and higher operating revenues. Compared to prior year, TransLink's gross interest costs as a percentage of operating revenues decreased 0.4 per cent. The ratio continues to be well within TransLink's 20 per cent policy limit.

Operating Indicators

Scheduled Transit Service

Overall performance which measures customer's satisfaction with the entire system, decreased by a CAGR of 0.3 per cent over the five year period due to factors such as; impact of fare increase in 2013, SkyTrain service disruptions in 2014 and CP Rail related delays in 2015. The rating increased slightly in 2016 to 7.6. Increased front line staff at SkyTrain stations, improving the overall feeling of safety for our customers and increased engagement with our customers helped improve this rating.

Service hours increased by 2.7 per cent in 2016 over 2015, mostly due to service adjustments related to; the opening of the Hamilton Transit Centre and closing of North Vancouver and Oakridge Transit Centres, one additional work/weekday compared to 2015 and one extra service day resulting from the leap year in 2016. Although service hours have remained relatively flat over the past five years, TransLink has been able to deliver more bus passenger service through scheduling efficiencies and service optimization initiatives.

The total cost recovery ratio which measures the percentage of operating costs covered by transit revenues increased by a CAGR of 1.4 per cent due to increased revenues over the five year period. Compared to 2015, the cost recovery ratio increased by 2.7 per cent due to revenue growth exceeding cost increases, largely due to the impact from implementing faregates.

Operating costs per capacity kilometre has increased by a 2.4 per cent CAGR since 2012 due to inflationary increases, while the total capacity kilometres have remained relatively constant. Operating costs per capacity kilometre was 1.6 per cent higher than 2015 due to increased operating costs relating to readiness of Evergreen Extension to the Millennium Line.

Complaints per million boarded customers increased by 4.5 to 98.7 in 2016 over 2015 and increased by a CAGR of 2.6 per cent over the last five years. Complaints were at its highest in 2013 when changes to Fare Tariff policy and service optimization were implemented. In 2016, complaints were largely related to customers transitioning to Compass, SkyTrain pattern changes with the opening of the Evergreen Extension integration and service disruptions related to snowy weather conditions in December. To better meet our customer needs, the call centre hours were extended in 2016.

Access Transit Service

An additional 22,500 trips were delivered in 2016 as compared to 2015, an increase of 1.9 per cent. A large portion of this is related to increased demand; additional funds were made available mid-year to meet this demand.

Operating costs per trip increased by a 1.5 per cent CAGR over the five year period due to inflation and contractual increases, offset by internal efficiencies and the use of taxis where appropriate. Operating cost per trip increased 0.8 per cent compared to 2015 due to contractual operating agreement increases.

Trip denials decreased by 44.6 per cent CAGR since 2012 due to the increase in taxi trips. Trip denials were up two thousand in 2016 over 2015 mainly due to November and December heavy snowfall impacting the ability to deliver trips.

Complaints per million boarded passengers saw an increase over 2015 of 8.0 per cent, mainly as a result of operator behavior and late running service largely caused by, traffic congestion and construction as well as sale of FareSavers on board. Overall, the CAGR increased 0.9 per cent over the last five years mainly due to an increase in the number of taxi trips related complaints.

Golden Ears Bridge

Crossings have grown at a CAGR of 5.8 per cent since 2012 which could be attributed to development in the surrounding area and a general increase in Vehicle Kilometres Travelled in the region. The average toll per crossing has increased a CAGR of 1.7 per cent per year since 2012, the majority of which can be attributed to annual CPI inflationary increases.

Ridership

"Journeys" is a new ridership indicator and replaces the previous indicator of "revenue passengers"; a journey is a complete trip on transit using valid fare media regardless of the number of transfers taken within the transfer window. With the availability of enhanced usage data from Compass, a new ridership methodology was developed in 2016, making comparisons to prior years difficult. For an estimated comparison, information was gathered from Automatic Passenger Counts (APC) for both 2015 and 2016; this data indicates the actual growth in both Boarded Passengers and Journeys is approximately 4.5 per cent over 2015. This growth was largely driven by substantial employment growth in Metro Vancouver, employment in the region grew by 4.9 per cent in 2016 and the unemployment rate is at an 8-year low.

The average fare per journey was $2.24 in 2016. With the rollout of Compass, comparative data is not available.

3. Consolidated Statement of Operational Analysis

CONSOLIDATED REVENUES AND EXPENSES

Year ended December 31 ($ thousands)	YEAR OVER YEAR 2016 ACTUAL	2015 ACTUAL	COMPARISON TO 2015 FAV/ (UNFAV)	%	ACTUAL TO BUDGET 2016 BUDGET [2]	COMPARISON TO BUDGET FAV/ (UNFAV)	%
Revenue							
Taxation	825,670	772,722	52,948	6.9%	784,532	41,138	5.2%
Transit	541,589	511,445	30,144	5.9%	508,272	33,317	6.6%
Government transfers	240,533	228,943	11,590	5.1%	282,185	(41,652)	(14.8%)
Golden Ears Bridge tollings	52,116	48,444	3,672	7.6%	50,641	1,475	2.9%
Investment income	40,567	34,381	6,186	18.0%	36,172	4,395	12.2%
Amortization of deferred concessionaire credit	23,337	23,273	64	0.3%	23,337	-	-
Miscellaneous	6,351	6,102	249	4.1%	3,537	2,814	79.6%
Sub Total Continuing Operations	**1,730,163**	**1,625,310**	**104,853**	**6.5%**	**1,688,676**	**41,487**	**2.5%**
Gain on disposal of tangible capital assets	422,183	2,340	419,843	100.0%	-	422,183	100.0%
Total Revenue	**2,152,346**	**1,627,650**	**524,696**	**32.2%**	**1,688,676**	**463,670**	**27.5%**
Expenses							
Bus division	656,542	643,484	(13,058)	(2.0%)	658,554	2,012	0.3%
Corporate operations	91,203	80,866	(10,337)	(12.8%)	89,524	(1,679)	(1.9%)
Rail division	265,940	268,311	2,371	0.9%	265,642	(298)	(0.1%)
Roads & Bridges	52,453	71,246	18,793	26.4%	89,096	36,643	41.1%
Transit Police	33,759	33,136	(623)	(1.9%)	33,947	188	0.6%
Amortization of capital assets [1]	181,663	168,290	(13,373)	(7.9%)	181,520	(143)	(0.1%)
Interest [1]	172,705	167,902	(4,803)	(2.9%)	168,203	(4,502)	(2.7%)
Sub Total Continuing Operations	**1,454,265**	**1,433,235**	**(21,030)**	**(1.5%)**	**1,486,486**	**32,221**	**2.2%**
Corporate and Roads & Bridges One-time	29,684	32,053	2,369	7.4%	30,121	437	1.5%
Total Expenses	**1,483,949**	**1,465,288**	**(18,661)**	**(1.3%)**	**1,516,607**	**32,658**	**2.2%**
Surplus for the Year	**668,397**	**162,362**	**506,035**	**100.0%**	**172,069**	**496,328**	**100.0%**

[1] Amortization and Interest shown separately to facilitate analysis

[2] Budget reallocated due to approved contingency

The surplus for the year was $506.0 million higher than 2015 and $496.3 million higher than budget.

Total revenues increased $524.7 million (32.2 per cent) over 2015 mainly due to the $422.2 million gain on sale of property. Revenues from continuing operations were $104.9 million (6.5 per cent) higher than 2015 mainly due to higher revenue from fares and fuel tax, government transfers and investment income.

Compared to budget, revenues were $463.7 million (27.5 per cent) higher mainly due to the $422.2 million gain on sale of surplus property, high taxation and transit revenues, offset by lower government transfers due to timing of related project spending.

Total expenses increased $18.7 million (1.3 per cent) over 2015 and were $32.7 million (2.2 per cent) lower than budget.

Details of the variances are provided in the following analysis.

Consolidated Revenues – Comparison to 2015

Year ended December 31	ACTUAL		COMPARISON TO 2015	
($ thousands)	2016	2015	Fav/ (Unfav)	%
Taxation	825,670	772,722	52,948	6.9%
Transit	541,589	511,445	30,144	5.9%
Government transfers	240,533	228,943	11,590	5.1%
Golden Ears Bridge tollings	52,116	48,444	3,672	7.6%
Investment income	40,567	34,381	6,186	18.0%
Amortization of deferred concessionaire credit	23,337	23,273	64	0.3%
Miscellaneous	6,351	6,102	249	4.1%
Sub Total Continuing Operations	1,730,163	1,625,310	104,853	6.5%
Gain on disposal of tangible capital assets	422,183	2,340	419,843	100.0%
Total Revenue	**2,152,346**	**1,627,650**	**524,696**	**32.2%**

The *SCBCTA Act* provides TransLink with access to revenue sources that are used to fund the provision and support of transportation services. Revenues are mainly comprised of taxation, user fees and government transfers. Total revenues were $2.2 billion in 2016 compared to $1.6 billion in 2015. The increase includes a $422 million gain on sale of surplus property which will be used for investment in future capital infrastructure. Excluding the gain on sale, revenues were $104.9 million (6.5 per cent) higher than 2015.

According to the Conference Board of Canada, Vancouver was Canada's fastest growing metropolitan economy in 2016. Employment grew by 5 per cent in 2016, the strongest gain since 1989. The economic boom in Metro Vancouver has contributed both to an increase in driving and transit ridership as reflected in our strong revenue growth.

Taxation

Year ended December 31	ACTUAL		COMPARISON TO 2015	
($ thousands)	2016	2015	Fav/ (Unfav)	%
Fuel tax	395,731	356,834	38,897	10.9%
Property tax	324,496	314,659	9,837	3.1%
Parking Rights tax	67,033	63,334	3,699	5.8%
Hydro levy	20,450	20,065	385	1.9%
Replacement tax	17,960	17,830	130	0.7%
Total Taxation	**825,670**	**772,722**	**52,948**	**6.9%**

Total taxation revenues were $52.9 million (6.9 per cent) higher than in 2015, the majority of this is due to higher fuel revenue related to an increase in Vehicle Kilometres Travelled in the region.

Fuel tax revenues increased $38.9 million (10.9 per cent) compared to last year largely due to higher sales volumes associated with strong economic growth in the region, moderate pump prices, higher vehicle kilometres travelled and a weak Canadian dollar making cross border purchasing less attractive.

Property tax revenue increased by $9.8 million (3.1 per cent) over 2015, which is in line with the legislated allowable increase, net of an allowance for adjustments when property tax assessment rolls are finalized.

Parking Rights tax revenue increased by $3.7 million (5.8 per cent) over the same period in 2015, which is consistent with an increase in Vehicle Kilometers Travelled (VKT).

Hydro Levy is $385 thousand (1.9 per cent) higher than in 2015 due to an increase in the number of households in the region. This increase is consistent with the increase in households as reported by BC Stats.

Replacement tax revenue increased $130 thousand (0.7 per cent) compared to 2015 due to finalized property tax assessment roll adjustments.

Transit

Year ended December 31	ACTUAL		COMPARISON TO 2015	
($ thousands)	2016	2015	Fav/ (Unfav)	%
Fares	413,724	387,888	25,836	6.7%
Program	108,561	104,490	4,071	3.9%
Total Fares	522,285	492,378	29,907	6.1%
Other transit	19,304	19,067	237	1.2%
Total Transit	**541,589**	**511,445**	**30,144**	**5.9%**

Total transit revenues include fares, program revenue and other transit related revenues such as transit advertising, park and ride, and fare infraction revenue. Total transit revenues in 2016 were $541.6 million, an increase of $30.1 million (5.9 per cent) over 2015.

Annual 2016 revenue from fares was $413.7 million, which is $25.8 million (6.7 per cent) higher than in 2015 resulting from an estimated 4.5 per cent in ridership over 2015. This increase in fare revenue is also a strong indication that the closure of fare gates, high visibility of front line staff and a marketing drive to educate customers on Compass and gate closure were successful in capturing revenue that was previously lost to fare evasion. Higher fare revenues were partially offset by shifts in fare product purchases. Sales of single use tickets and monthly passes in 2016 have decreased from 2015, as customers shift to Stored Value Compass products that offer a discount in fare price over single use products and feature more flexibility than monthly passes.

Program revenue is from U-Pass BC and Government Bus Pass programs. 2016 program revenue totalled $108.6 million, which is $4.1 million (3.9 per cent) higher than 2015 mainly due to the annual contractual U-Pass BC rate increase and an increase in participation in both U-Pass BC and Government bus pass programs. The growth in the Government bus pass program was slightly offset by recent changes in the program whereby low income persons with disabilities have the option of a monthly bus pass or the cash equivalent.

Other Transit Revenue was $237 thousand (1.2 per cent) higher than 2015 largely as a result of a contractual increase for advertising on the transit system, increased Park and Ride revenues, and new revenues arising from the introduction of Wi-Fi on the SeaBus. These were offset by reduced fare infraction revenues compared to 2015.

Government Transfers

The revenue from these funds was $11.6 million (5.1 per cent) higher than 2015. Government transfers in 2016 consisted mainly of contributions from gas tax funds, provincial funding for the Evergreen Extension, amortization of federal and provincial Canada Line funding as well as provincial operating contributions for Canada Line. The increase is due to $23.2 million received through the Province for the Evergreen Extension of the Millennium Line partially offset by a $12.1 million reduction in gas tax transfers in 2016.

Golden Ears Bridge Tolling

Golden Ears Bridge toll revenues increased $3.7 million (7.6 per cent) over 2015 to $52.1 million. The increase is due to a 6.5 per cent year over year increase in vehicle crossings, which is consistent with the overall trend of increased Vehicle Kilometres Travelled (VKT) in the region. There was also a Canadian consumer price index (CPI) inflationary toll rate increase in July in accordance with the bylaw.

Investment Income

Investment income was $6.2 million (18.0 per cent) higher as compared to the prior year, due to higher sinking fund balances and higher rates of return.

Miscellaneous Income

Miscellaneous income increased $249 thousand (4.1 per cent) over 2015 primarily as a result of recoveries related to rolling stock, energy incentive credits and Telecom programs offset by lower Adjacent and Integrated Development (AID) project recoveries.

Gain on disposal of assets

Gain on the sale of assets increased year over year by $419.8 million primarily due to the sale of surplus property relating the sale of Oakridge Transit Centre lands. This is one of the largest real estate transactions in B.C.'s history. The proceeds from the sale are structured to be received by 2023 but are recorded as revenue in 2016 in accordance with Canadian Public Sector Accounting Standards.

Consolidated Revenues – Comparison to Budget

Year ended December 31	2016		COMPARISON TO BUDGET	
($ thousands)	ACTUAL	BUDGET	Fav/ (Unfav)	%
Taxation	825,670	784,532	41,138	5.2%
Transit	541,589	508,272	33,317	6.6%
Government transfers	240,533	282,185	(41,652)	(14.8%)
Golden Ears Bridge tollings	52,116	50,641	1,475	2.9%
Investment income	40,567	36,172	4,395	12.2%
Amortization of deferred concessionaire credit	23,337	23,337	-	-
Miscellaneous	6,351	3,537	2,814	79.6%
Sub Total Continuing Operations	1,730,163	1,688,676	41,487	2.5%
Gain on disposal of tangible capital assets	422,183	-	422,183	100.0%
Total Revenue	**2,152,346**	**1,688,676**	**463,670**	**27.5%**

Total revenue was $463.7 million (27.5 per cent) higher than budget mainly due to the gain on sale of properties. Revenues from continuing operations were $41.5 million (2.5 per cent) higher than budget mainly due to higher revenue from fares and fuel tax, offset by lower government transfers.

Taxation

Year ended December 31	2016		COMPARISON TO BUDGET	
($ thousands)	ACTUAL	BUDGET	Fav/ (Unfav)	%
Fuel tax	395,731	360,388	35,343	9.8%
Property tax	324,496	323,517	979	0.3%
Parking Rights tax	67,033	62,651	4,382	7.0%
Hydro levy	20,450	19,976	474	2.4%
Replacement tax	17,960	18,000	(40)	(0.2%)
Total Taxation	**825,670**	**784,532**	**41,138**	**5.2%**

Total taxation revenue for 2016 totaled $825.7 million, $41.1 million (5.2 per cent) higher than budget.

Fuel tax revenues were $35.3 million (9.8 per cent) higher than budget. The budget included only a modest increase in volume sales. 2016 fuel volumes in the region were some of the highest since the 2008 financial crisis and the introduction of the BC carbon tax in 2009. This growth coincides with the economic growth in the region over the same period. This growth, combined with low gasoline prices at the pump and a weaker Canadian dollar may be contributing factors to increased Vehicle Kilometers Travelled within the region, leading to increased fuel revenues.

Parking Rights tax revenues were $4.4 million (7.0 per cent) higher than budget. This is consistent with the economic growth in the region, higher fuel volumes and increased Vehicle Kilometers Travelled.

Transit

Year ended December 31	2016		COMPARISON TO BUDGET	
($ thousands)	ACTUAL	BUDGET	Fav/ (Unfav)	%
Fares	413,724	382,864	30,860	8.1%
Program	108,561	107,406	1,155	1.1%
Total Fares	522,285	490,270	32,015	6.5%
Other transit	19,304	18,002	1,302	7.2%
Total Transit	**541,589**	**508,272**	**33,317**	**6.6%**

2016 total transit revenues were $33.3 million (6.6 per cent) higher than budget mainly due to increased fare revenue.

Annual 2016 revenue from fares was $413.7 million, which is $30.9 million (8.1 per cent) favourable to budget mainly as a result of the success of fare gate closures and growing ridership.

Total program revenue was $1.2 million (1.1 per cent) favourable to budget due to more participants than expected in the U-Pass BC program offset by a slight decline in BC Bus Pass program participants likely as a result of recent changes whereby low-income persons with disabilities now have the option of a monthly bus pass or the equivalent cash.

Other transit revenue was $1.3 million (7.2 per cent) favourable to budget due to increased revenues from park and ride, advertising, fare infractions on the transit system and new revenues arising from the introduction of Wi-Fi at the SeaBus terminals.

Government Transfers

Government transfers were $41.7 million (14.8 per cent) unfavourable to budget due to timing. Some transfers initially budgeted for 2016 were recognized in December 2015 ($22.1 million) due to earlier than forecast project completions and transfers of $42.7 million originally budgeted for 2016 have been moved into 2017, mainly due to delays related to the gas tax application process. This was partly offset by one-time funding received by the Province for the Evergreen Extension ($23.2 million).

Golden Ears Bridge Tolling

Toll revenues were $1.5 million (2.9 per cent) favourable to budget mainly resulting from a 6.1 per cent higher than expected increase in vehicle crossings compared to budget. This increase is consistent with the growth in Vehicles Kilometres Travelled in the region.

Investment Income

Investment income was $4.4 million (12.2 per cent) higher than budget due to higher than budgeted cash and investment balances and higher rates of return.

Miscellaneous Income

Miscellaneous income was $2.8 million (79.6 per cent) higher than budget mainly due higher than anticipated recoveries for Adjacent and Integrated Development projects, rail rolling stock recoveries, an increase in incentive credits from Fortis BC for purchasing CNG vehicles and higher insurance and trolley overhead recoveries.

Gain on disposal of assets

Gain on the sale of assets was favourable to budget by $422.2 million due to the sale of surplus properties which completed earlier than expected.

Consolidated Expenses – Comparison to 2015

(BY SEGMENT)

Year ended December 31	ACTUAL		COMPARISON TO 2015	
($ thousands)	2016	2015	Fav/ (Unfav)	%
Bus division	656,542	643,484	(13,058)	(2.0%)
Corporate operations	91,203	80,866	(10,337)	(12.8%)
Rail division	265,940	268,311	2,371	0.9%
Roads & Bridges	52,453	71,246	18,793	26.4%
Transit Police	33,759	33,136	(623)	(1.9%)
Amortization of tangible capital assets [1]	181,663	168,290	(13,373)	(7.9%)
Interest [1]	172,705	167,902	(4,803)	(2.9%)
Sub Total Continuing Operations	1,454,265	1,433,235	(21,030)	(1.5%)
Corporate and Roads & Bridges One-time	29,684	32,053	2,369	7.4%
Total Expenses by Segment	**1,483,949**	**1,465,288**	**(18,661)**	**(1.3%)**

[1] Amortization and Interest shown separately to facilitate analysis

Bus Division operating expenditures were $13.1 million (2.0 per cent) higher year over year due to labour, contractual and economic increases, more service hours including the impact of one additional service day for leap year in 2016. Costs were also higher related to additional Access Transit trips due to increased demand, higher revenue vehicle material costs including more major repairs, higher snow removal costs in December, the impact of opening Hamilton Transit Centre in September, higher fare media costs and higher computer systems related costs. Offsetting these increases were lower fuel costs mainly due to lower than planned market prices.

Corporate Operations were $10.3 million (12.8 per cent) higher than in 2015 mainly due to contracted services related to completion of the Compass project and higher credit card interchange fees associated with direct fare product sales of Compass cards and tickets. Costs also increased due to contractual and economic labour increases, studies related to the Independent SkyTrain Review, Transit Fare review and higher computer systems related costs. These increases are offset by lower remediation costs related to contaminated site cleanup and lower Adjacent Integrated Development activities in 2016.

Rail Division operating costs were $2.4 million (0.9 per cent) lower than 2015 due to the elimination of the lease costs related to the purchase of the West Coast Express (WCE) rail cars, contractual performance deductions related to service agreement, and lower 2016 diesel rates. These savings were offset by additional fare media costs, contractual, labour and economic increases, as well as other increases related to auxiliary fare gate equipment. Maintenance and materials costs also increased related to state of good repair as well as operations and maintenance costs for the Evergreen Extension that was opened in 2016.

Roads and Bridges expenditures were $18.8 million (26.4 per cent) lower in 2016 mainly due to an adjustment of $22 million for a recovery of a prior year expense relating to the financing of the Evergreen extension and timing of capital contributions to municipalities. This is partially offset by studies related to Pattullo Bridge replacement in 2016 and annual inflationary rate increases related to operations and maintenance funding for the Major Road Network.

Transit Police costs were $623 thousand (1.9 per cent) higher than 2015, due to retroactive wage increases, higher leave balances and fewer vacancies. The increases were offset by lower radio communication costs and lower legal fees due to fewer police act investigations in 2016.

Amortization expense increased by $13.4 million (7.9 per cent) over 2015 as a result of a $453.8 million increase in depreciable tangible capital assets mainly related to; revenue vehicles, Expo Line propulsion systems, Hamilton Transit Centre and Evergreen Extension.

Interest expense was $4.8 million (2.9 per cent) higher than the prior year to date due to higher outstanding gross debt.

Corporate and Roads & Bridges One-time costs were $2.4 million (7.4 per cent) lower than the prior year. The 2016 one-time costs include Rapid Transit studies, Evergreen Extension integration and the Compass project.

Consolidated Expenses – Comparison to Budget

(BY SEGMENT)

Year ended December 31	2016		COMPARISON TO BUDGET	
($ thousands)	ACTUAL	BUDGET [2]	Fav/ (Unfav)	%
Bus division	656,542	658,554	2,012	0.3%
Corporate operations	91,203	89,524	(1,679)	(1.9%)
Rail division	265,940	265,642	(298)	(0.1%)
Roads & Bridges	52,453	89,096	36,643	41.1%
Transit Police	33,759	33,947	188	0.6%
Amortization of tangible capital assets [1]	181,663	181,520	(143)	(0.1%)
Interest [1]	172,705	168,203	(4,502)	(2.7%)
Sub Total Continuing Operations	1,454,265	1,486,486	32,221	2.2%
Corporate and Roads & Bridges One-time	29,684	30,121	437	1.5%
Total Expenses by Segment	**1,483,949**	**1,516,607**	**32,658**	**2.2%**

[1] Amortization and Interest shown separately to facilitate analysis

[2] Budget reallocated due to approved contingency

Bus Division operating expenditures were $2.0 million (0.3 per cent) favourable to budget due to lower fuel market prices. The savings were partially offset by additional Access Transit service and trips to meet customer demand, higher revenue vehicle materials costs as a result of more major repairs and increased parts prices, higher overtime costs from vacant position coverage and higher than planned levels of route training for operators in preparation for the opening of Hamilton Transit Centre and higher revenue vehicle insurance rates.

Corporate Operations expenses were $1.7 million (1.9 per cent) unfavourable due to higher than expected credit card fees as a result of the positive customer adoption of Compass products as well as increased ridership. Also higher were claims paid out by TransLink's Transportation Property Casualty Company (TPCC) offset by lower property rental costs.

Rail Division operating costs were $298 thousand (0.1 per cent) unfavourable to budget mainly due to additional state of good repair costs and higher fare media costs. These costs are offset by the early execution of the West Coast Express (WCE) rail car lease buyout in December 2015, contractual performance deductions related to service agreements and lower diesel fuel costs.

The additional state of good repair costs include incremental efforts and costs required to complete rail grinding work and rolling stock repair costs.

Roads & Bridges spending was $36.6 million (41.1 per cent) favourable to the 2016 budget. The majority of this amount is due to a recovery of a prior year expense related to the financing of the Evergreen extension, timing differences for municipal road contributions, lower maintenance costs on Pattullo Bridge as a result of the rehabilitation project and some feasibility studies being postponed into 2017.

Transit Police costs are $188 thousand (0.6 per cent) favourable to budget mainly due to occupancy credits.

Amortization expense was unfavourable to budget by $143 thousand (0.1 per cent) mainly due to accelerated amortization of major capital spare parts within the Rail division, offset by lower amortization expenses from the Evergreen Extension capitalization where longer than expected useful life estimates were used.

Interest expense was $4.5 million (2.7 per cent) unfavourable to budget, mostly due to timing of capital spending and higher than anticipated interest rates associated with the prior year's long-term debt issuance.

Corporate and Roads & Bridges One-time costs were $437 thousand (1.5 per cent) favourable to budget in 2016. The Evergreen integration was completed under budget and Mobility Pricing initiatives were deferred to 2017, offset by timing of the Rapid Transit projects.

Consolidated Expenses by Category – Comparison to 2015

Year ended December 31	2016 Actual			2015 Actual			Ongoing Expenses	
($ thousands)	Ongoing	One-time [1]	Total	Ongoing	One-time [1]	Total	Fav/ (Unfav)	%
Administration	38,883	10,099	48,982	32,805	11,833	44,638	(6,078)	(18.5%)
Amortization of capital assets	181,663	-	181,663	168,290	-	168,290	(13,373)	(7.9%)
Capital infrastructure contributions	3,910	-	3,910	30,653	-	30,653	26,743	87.2%
Contracted services	211,790	-	211,790	203,563	-	203,563	(8,227)	(4.0%)
Fuel and power	56,764	-	56,764	62,933	-	62,933	6,169	9.8%
Insurance	21,181	-	21,181	20,581	-	20,581	(600)	(2.9%)
Interest	172,705	-	172,705	167,902	-	167,902	(4,803)	(2.9%)
Maintenance, materials and utilities	129,919	4,056	133,975	121,623	233	121,856	(8,296)	(6.8%)
Professional and legal	25,364	15,529	40,893	16,162	17,790	33,952	(9,202)	(56.9%)
Rentals, leases and property tax	24,694	-	24,694	40,862	-	40,862	16,168	39.6%
Salaries, wages and benefits	587,392	-	587,392	567,249	2,197	569,446	(20,143)	(3.6%)
Write-down of tangible capital assets	-	-	-	612	-	612	612	100.0%
Total Expenses by Category	**1,454,265**	**29,684**	**1,483,949**	**1,433,235**	**32,053**	**1,465,288**	**(21,030)**	**(1.5%)**

[1] One-time expenses shown separately to facilitate analysis

On-Going Expenses

Administration costs increased $6.1 million (18.5 per cent) over 2015, mainly due to higher credit card interchange fees associated with direct fare product sales of Compass cards and tickets and additional fare media resulting from the rollout of Compass. There were also increased computer system licensing costs.

Amortization expenses increased $13.4 million (7.9 per cent) over 2015 mainly due to capital asset additions of revenue vehicles, Expo Line propulsion systems, Hamilton Transit Centre and Evergreen Extension.

Capital infrastructure contributions decreased by $26.7 million primarily due to a recovery of prior year expense.

Contracted services increased $8.2 million (4.0 per cent) over 2015 mainly due to full roll out of Compass, inflationary increase of the Canada Line contractor payment, contractor costs related to Access Transit and Taxi Supplement usage and tolling costs related to increased crossings on the Golden Ears Bridge. This is offset by contractual performance deductions related to service agreements.

Fuel and power costs were $6.2 million (9.8 per cent) lower mainly due to lower prices.

Insurance costs increased $600 thousand (2.9 per cent) over 2015 mainly due to increased claims to TransLink's Transportation Property Casualty Company (TPCC) and an increase in renewal rates within the Bus division.

Interest expense was $4.8 million (2.9 per cent) higher than 2015 due to higher outstanding gross debt.

Maintenance, materials and utilities increased $8.3 million (6.8 per cent) over 2015 due to additional state of good repair costs including; rolling stock for the Rail division as well as maintenance costs for the Evergreen Extension in December. Increased revenue vehicle materials costs (due to inflation and an unfavourable Canadian dollar exchange rate), higher snow removal costs and an increase in Major Road Network (MRN) Operating Maintenance (O&M) contributions were offset by recognition of a liability for remediation costs for inactive contaminated sites in 2015.

Professional and legal increased $9.2 million (56.9 per cent) compared to 2015 mainly due to Pattullo Bridge replacement studies costs, feasibility studies related to the Independent SkyTrain Review, studies to support the Mayors' Vision and additional rail maintenance services within the Rail division. This is offset by completion of Business Intelligence tools for enhanced reporting in 2015 and lower Adjacent and Integrated Development (AID) project costs.

Rentals, leases and property tax expenses decreased $16.2 million (39.6 per cent) mainly due to buy-out of the West Coast Express rail cars lease in 2015**.**

Salaries and wages increased $20.1 million (3.6 per cent) over 2015, as a result of contractual labour increases, increased staffing levels within the Rail division in response to Evergreen Extension integration and recommendations from the Independent SkyTrain Review; additional labour costs within the Bus division in response to the opening of Hamilton Transit Centre and additional staffing related to the Infrastructure Project Management office.

Consolidated Expenses by Category – Comparison to Budget

Year ended December 31	2016 Actual			2016 Budget			Ongoing Expenses	
($ thousands)	Ongoing	One-time [1]	Total	Ongoing	One-time [1]	Total	Fav/ (Unfav)	%
Administration	38,883	10,099	48,982	35,554	5,155	40,709	(3,329)	(9.4%)
Amortization of capital assets	181,663	-	181,663	181,520	-	181,520	(143)	(0.1%)
Capital infrastructure contributions	3,910	-	3,910	38,556	-	38,556	34,646	89.9%
Contracted services	211,790	-	211,790	213,483	-	213,483	1,693	0.8%
Fuel and power	56,764	-	56,764	66,043	-	66,043	9,279	14.0%
Insurance	21,181	-	21,181	19,261	-	19,261	(1,920)	(10.0%)
Interest	172,705	-	172,705	168,203	-	168,203	(4,502)	(2.7%)
Maintenance, materials and utilities	129,919	4,056	133,975	122,540	3,728	126,268	(7,379)	(6.0%)
Professional and legal	25,364	15,529	40,893	25,296	20,842	46,138	(68)	(0.3%)
Rentals, leases and property tax	24,694	-	24,694	28,975	-	28,975	4,281	14.8%
Salaries, wages and benefits	587,392	-	587,392	587,055	396	587,451	(337)	(0.1%)
Total Expenses by Category	**1,454,265**	**29,684**	**1,483,949**	**1,486,486**	**30,121**	**1,516,607**	**32,221**	**2.2%**

[1] One-time expenses shown separately to facilitate analysis

Administration costs were unfavourable to budget $3.3 million (9.4 per cent) mainly due to higher credit card fees associated with direct fare product sales of Compass cards and tickets and higher fare media costs due to the customer adoption of Compass products.

Amortization expense was $143 thousand (0.1 per cent) unfavourable to budget primarily due to unbudgeted major capital spare parts accelerated depreciation within the Rail division; offset by lower than expected depreciation expenses from the Evergreen Extension project.

Capital infrastructure contributions were favourable by $34.6 million primarily due to a recovery of a prior year expense and timing of capital funding to municipalities.

Contracted services were favourable to budget $1.7 million (0.8 per cent) mainly due to a lower CP Rail contractual performance discount, lower contracted service costs within the Bus division due to lower fuel prices and consumption and slightly lower Compass related costs; offset by increased Golden Ears Bridge contactor payments due to the higher than expected crossings and higher contractor costs related to additional service delivery from HandyDART.

Fuel and power costs were $9.3 million (14.0 per cent) favourable to budget due to lower prices.

Insurance was unfavourable to budget $1.9 million (10.0 per cent), due to increased claims to TransLink's Transportation Property Casualty Company (TPCC) and higher renewal rates within the Bus division slightly offset by favourable property insurance rates.

Interest expense was unfavourable $4.5 million (2.7 per cent) mostly due to timing of capital spending and higher than anticipated interest rates associated with prior year's long-term debt issuance.

Maintenance, materials and utilities expense were $7.4 million (6.0 per cent) unfavourable to budget due to additional state of good repair costs within the Rail division and; more repairs, increased prices due to the weakening Canadian dollar exchange rate and additional tools and equipment as a result of opening of Hamilton Transit Center within the Bus division.

Professional and legal fees were $68 thousand (0.3 per cent) unfavourable compared to budget primarily due to additional state of good repair costs within the Rail division, costs related to the infrastructure project management office, long range plan initiatives and increased costs related to Adjacent and Integrated Development (AID) projects which are recoverable from developers, offset by deferral of planned Roads and Bridges studies (due to focus on readiness for implementation of Phase One of the Investment Plan).

Rentals, leases and property tax were $4.3 million (14.8 per cent) favourable to budget due to early buy-out of West Cost Express railcars and prior year operating rent credits.

Salaries and wages were in line with budget.

4. Capital Program

As of December 31, 2016, TransLink's total capital program budget was $2.8 billion including $891.8 million in active capital projects, $31.4 million in Approved-In-Principle (AIP) capital projects and $210.0 million in capital infrastructure contributions to municipalities. The capital program budget is partially supported by $1.0 billion in committed funding available to TransLink from the Federal Gas Tax Fund, the Building Canada Fund and the Public Transportation Infrastructure Fund. External funding programs apply only to eligible projects within the capital program.

The table below highlights the breakdown of TransLink's capital budget.

INVESTMENTS IN CAPITAL ASSETS:

Summary of Capital Program ($ thousands)	Number of Projects	Current Budget	2016 Spending	Cumulative Spending to Date	Final Forecast Cost	Variance to Current Budget		Senior Government Funding (Committed)
		($)	($)	($)	($)	($)	(%)	($)
Capital Projects								
Active Capital Projects								
Equipment	8	23,032	4,057	7,153	22,011	1,021	4.4%	4,500
Facilities	7	16,806	387	1,552	16,557	249	1.5%	3,332
Infrastructure	29	341,637	71,766	130,462	339,162	2,475	0.7%	99,073
Major Construction	2	43,000	-	-	42,897	103	0.2%	35,819
Technology Applications	19	29,782	5,872	12,965	27,502	2,280	7.7%	-
Vehicle - Non Revenue	4	2,165	-	-	2,165	-	0.0%	-
Vehicle - Revenue	10	435,363	111,345	120,915	433,339	2,024	0.5%	303,036
Subtotal Active Capital Projects	**79**	**891,785**	**193,427**	**273,047**	**883,633**	**8,152**	**0.9%**	**445,760**
2016 Capital (Remaining AIP)								
Equipment	3	21,150	-	-	21,150	-	-	-
Facilities	-	-	-	-	-	-	-	-
Infrastructure	3	2,732	-	-	2,732	-	-	-
Major Construction	-	-	-	-	-	-	-	-
Technology Applications	2	1,725	-	-	1,725	-	-	-
Vehicle - Non Revenue	1	148	-	-	148	-	-	-
Vehicle - Revenue	1	5,600	-	-	5,600	-	-	5,013
Subtotal Approved in Principle	**10**	**31,355**		**-**	**31,355**	**-**		**5,013**
Subtotal Active and Remaining AIP Projects	89	923,140	193,427	273,047	914,988	8,152	0.9%	450,773
Substantially Complete Projects	72	1,600,204	256,822	1,534,829	1,564,437	35,767	2.2%	572,767
Closed Projects	25	79,190	715	72,060	72,060	7,130	9.0%	16,845
Cancelled AIP Projects	-8	8,559			8,559	-	0.0%	-
Total Capital Projects	178		450,964					
Adjustment for Other Additions and Accruals			2,813					
Net additions to Capital Assets		**2,611,093**	**453,777**	**1,879,936**	**2,560,044**	**51,049**	**2.0%**	**1,040,385**
Capital Infrastructure Contributions								
Active Programs	14	210,011	25,346	166,316	207,554	2,457	1.2%	-
Closed Projects	1	-	3,434	3,434	3,434	(3,434)		-
Total Capital Infrastructure Contributions	15		28,780					
Adjustment for Other Additions and Accruals *			(24,870)					
Net Capital Infrastructure Contributions		**210,011**	**3,910**	**169,750**	**210,988**	**(977)**	**-0.5%**	
Capital Program Grand Total	**193**	**2,821,104**	**457,687**	**2,049,686**	**2,771,032**	**50,072**	**1.8%**	**1,040,385**

**Includes recovery of a prior year expense.*

Active Capital Projects

TransLink's active capital projects portfolio has the following objectives:

1. Support a safe and reliable transit system by maintaining assets in a state of good repair;
2. Improve service by increasing system capability and capacity;
3. Provide early approval for capital projects from Phase One of the 10-Year Vision for Metro Vancouver Transportation to allow expansion to occur as soon as possible.

As of the end of the year there were 79 active projects with $193.4 million spent in 2016 and $273.0 million spent overall. Five projects (Mark III Procurement, Commercial-Broadway and Metrotown station upgrades and 2015 and 2016 conventional bus replacement programs) account for $142.5 million of the expenditures in 2016. A comparison of project budgets against forecasted final cost over the 79 active projects shows a favourable forecasted variance of $8.2 million (0.9 per cent).

Highlights for the top two capital spending categories for 2016 are as follows:

Infrastructure: $71.8 million spend in 2016. Four Expo Line stations account for $48.3 million of this amount. Metrotown, Commercial Broadway, Joyce-Collingwood and Surrey Central stations are all currently undergoing major renovations. The expectation is that these renovations will enhance service by increasing system capacity and improving customers' experience post completion. This category also includes the Pattullo Bridge rehabilitation project.

Revenue Vehicles: $111.3 million spend in 2016; $65.9 million is directly related to the 2015 and 2016 conventional bus replacement programs and $39.9 million is for the procurement of new Mark III SkyTrain cars for expansion of service.

Substantially Complete Capital Projects

A total of 72 projects with an aggregate current budget of $1.6 billion and a total forecasted cost of $1.56 billion is deemed substantially complete and in the final stages of project activity with $29.6 million in forecasted costs remaining. The total expected favourable variance for these projects at completion is $35.8 million (2.2 per cent).

The Evergreen Extension of the Millennium Line achieved substantial completion in the last quarter of the year and went into active service on December 2, 2016. This major expansion of the rail network is expected to increase ridership and accessibility to the transit system in the Tri-Cities area. The extension construction was led by the Province's BC Transportation Financing Authority. TransLink owns the stations, guideway and the related systems east of Inlet Centre station and the Province owns to the west of and including Inlet Centre station and leases it back to TransLink for operations. TransLink is responsible for maintaining and operating the entire extension.

The construction of the new Hamilton Transit Centre (HTC) in Richmond also achieved substantial completion this year and is fully operational. HTC replaces two of the aging transit centres in the region and further centralizes bus operations.

A large number of substantially complete projects remain open due to an extended warranty period on acquired components, as is the case with buses and SkyTrain cars. In addition to several bus and SkyTrain fleet projects, this category also includes Compass, Main Street and New Westminster SkyTrain Station Upgrades, the Golden Ears Bridge and a variety of other projects.

Approved in Principle (AIP) Capital Projects

As of December 31, 2016 there are ten AIP projects that were not initiated during the year with a total AIP aggregate budget of $31.4 million.

The significant 2016 planned projects not initiated were:

- Automatic Train Control Equipment Replacement ($12.4 million)
- 2017 HandyDART Vehicle Replacement Program ($5.6 million)
- Golden Ears Bridge Tolling Equipment Replacement ($5.0 million).

These projects are carried forward for approval in 2017.

Closed Capital Projects

As of December 31, 2016, 25 projects with a final cost of $72.1 million and an approved budget of $79.2 million were completed and closed in the year. Closed projects included:

- West Coast Express Fleet and Facility Expansion
- SkyTrain Automatic Train Control System Upgrades
- Pattullo Bridge short term rehabilitation
- Technology Application implementations
- Trolley Overhead replacements
- Rail Equipment replacements and
- Transit Centre equipment replacements.

Cancelled Capital Projects

During 2016, eight AIP projects with an aggregate budget of $8.6 million were cancelled after review and prioritization of the capital program. Of the projects cancelled, some were combined with other projects in order to better align with strategic priorities and optimally utilize limited resources; others were deemed to be noncapital in nature and shifted to operations. The cancellations have little to no customer or service impacts.

Capital Infrastructure Contributions

These expenditures consist of contributions to municipalities for the rehabilitation and upgrade of the Major Road Network and bike pathways. As TransLink does not own the underlying assets the costs are expensed in the year they are incurred. As of December 31, 2016 there were 14 active programs and one closed project for the year with $28.8 million in expenditures.

5. Changes in Financial Position

Financial Assets

As at December 31

($ thousands)	2016	2015	Change	%
Cash and cash equivalents	252,436	210,918	41,518	19.7%
Accounts receivable	133,736	102,421	31,315	30.6%
Loans receivable	325,313	-	325,313	100.0%
Restricted cash and investments	504,295	501,009	3,286	0.7%
Investments	80,917	60,943	19,974	32.8%
Debt reserve deposits	35,049	36,407	(1,358)	(3.7%)
Financial Assets	1,331,746	911,698	420,048	46.1%

See "Liquidity and Capital Resources" section for cash and cash equivalents.

The increase in accounts receivable is mainly due to outstanding receivables for various Build Canada Fund Projects.

The loans receivable is due from Intergulf-Modern Green Development Corp., the Purchaser of the Oakridge Transit Centre. The Oakridge Transit Centre was sold for proceeds of $440 million whereby, the Authority received $88 million on December 20, 2016 and the remaining payments are due over approximately the next 6 years and secured by a mortgage against the property. The $325.3 million loan receivable was determined using the net present value of the future payments using a 2.1% discount rate which is the investment income rate of return.

Restricted Cash and Investments

As at December 31

($ thousands)	2016	2015	Change	%
Government Transfers for Capital Project funding	192,464	322,009	(129,545)	(40.2%)
TPCC's Investments [1]	21,421	22,630	(1,209)	(5.3%)
Land Reserve [1]	128,016	38,609	89,407	231.6%
Subtotal	341,901	383,248	(41,347)	(10.8%)
Total Self Administered Sinking Funds	162,394	117,761	44,633	37.9%
Total	504,295	501,009	3,286	0.7%

[1] Reclassified to restrict land reserve and TPCC investments

Restricted cash and investments are amounts internally restricted by the Board and represent unspent government transfers, self-administered sinking funds, land reserve funds and funds segregated for TPCC; TransLink's wholly owned captive insurance company. Land reserve and TPCC funds were reclassified to "restricted" in 2016. The purpose of the land reserve funds is to allow proceeds from the disposition of real property to be invested back into real property. The land reserve concept is consistent with the Mayors' Council 2012 resolution and the former TransLink Commissioner's comments that the supplemental plan should not liquidate capital assets to fund operations.

Liabilities

As at December 31

($ thousands)	2016	2015	Change	%
Accounts payable and accrued liabilities	234,522	241,766	(7,244)	(3.0%)
Debt	2,347,266	2,144,102	203,164	9.5%
Deferred government transfer	941,046	1,124,066	(183,020)	(16.3%)
Golden Ears Bridge contractor liability	1,049,021	1,050,913	(1,892)	(0.2%)
Deferred concessionaire credits	549,059	572,396	(23,337)	(4.1%)
Employee future benefits	120,147	110,023	10,124	9.2%
Deferred revenue and deposits	35,519	14,742	20,777	140.9%
Deferred lease inducements	12,578	12,799	(221)	(1.7%)
Liabilities	5,289,158	5,270,807	18,351	0.3%

For the discussion on Debt please see the "Liquidity and Capital Resources" section.

Deferred government transfers represent the receipt of capital funding offset by revenue recognized as the related stipulations in the various government funding agreements are met. The decrease is due to $220.2 million of revenue being recognized, offset by $37.2 million of interest earned on unspent government transfers and capital government transfers received.

Deferred concessionaire credits represent the funding provided by the Canada Line Concessionaire. This balance is amortized to income on a straight-line basis over the operating term of the concessionaire agreement, which will expire in July 2040.

The increase in employee future benefits, which represent post-retirement and post-employment benefits, is due to the annual estimated current service cost and related interest. The post retirement portion of this liability will draw down upon retirement of the employees.

The increase in deferred revenue and deposits of $20.8 million is mainly due to an increase in passengers' purchase of fare products in advance of transit service provided of $14.3 million and Compass Card deposits[1] of $4.6 million.

Non-Financial Assets

As at December 31

($ thousands)	2016	2015	Change	%
Tangible capital assets	4,867,996	4,606,623	261,373	5.7%
Supplies inventory	61,831	56,442	5,389	9.5%
Prepaid expenses	11,657	11,719	(62)	(0.5%)
Non-Financial Assets	4,941,484	4,674,784	266,700	5.7%

At December 31, 2016 the Authority had tangible capital assets with a total net book value of $4.9 billion. In addition, TransLink also operates, maintains and upgrades capital assets owned by the Province of BC including land, stations and guideways related to the SkyTrain Expo and Millennium Lines and West Coast Express vehicles and land assets with a total net book value of approximately $1.5 billion.

[1] Customers are required to pay a $6.00 refundable deposit in order to obtain a Compass Card.

The newly constructed Evergreen Extension to the Millennium Line is also operated and maintained by TransLink. Information about the portion of the Evergreen Extension owned by TransLink can be found in the notes to the audited financial statements.

Capital Asset Additions

For the year ended December 31, 2016 tangible capital assets increased by a net amount of $261.4 million which represents $453.8 million additions to capital assets less the following:

- $181.7 million of amortization
- $10.7 million in disposals

The addition of $453.8 million during the year was primarily made up of the following items:

Additions to tunnels and guideways of $193.1 million related to:

- $193.1 million for Evergreen Extension new stations and guideway.

Additions to other supporting systems of $192.1 million primarily related to:

- $143.0 million for Evergreen Extension additional facilities and other improvements
- $19.9 million related to the Pattullo Bridge rehabilitation program
- $13.7 million for Expo Line Propulsion Power Upgrade

Additions to vehicles of $182 million primarily related to:

- $100 million for 28 new Mark III SkyTrain cars for Evergreen Extension
- $64.8 million for replacement of the conventional bus fleet including 21 60' diesel hybrid and 71 40' diesel vehicles and various holdbacks
- $9 million for replacement of community shuttle fleet including 62 vehicles and various holdbacks

Additions to land and buildings of $125 million related to:

- $111.6 million for the acquisition of land and construction of new Hamilton Transit Centre
- $13.3 million for the acquisition of additional land for development on West Broadway

Additions to equipment of $33.4 million primarily related to:

- $13.9 million for major equipment installed in the new Hamilton Transit Centre
- $7.4 million for Trolley Overhead equipment
- $4.2 million in information systems and IT equipment, including $2.3 million for TransLink's Enterprise Identify and Access Management system
- $1.1 million for mobile data terminal replacement on HandyDART vehicles

Additions to capital spare parts of $1.8 million related to:

- $1.8 million for additional capital spare parts purchased by the Rail (BCRTC) division

Net reductions to work in progress of ($273.6) million primarily related to:

Capital additions to work-in-progress amounted to $494.1 million for the year offset by $767.7 million in transfers of completed projects into their respective asset classes. The main movements for the year related to the Evergreen extension, Hamilton Transit Centre and replacement of the conventional bus fleet. The impact of these projects is shown below:

- Evergreen Extension addition of $152.4 million offset by capitalization of $436.1 million
- Hamilton Transit Centre – addition of $50.2 million offset by capitalization of $126.1 million
- Conventional Bus Replacements – addition of $65.9 million offset by capitalization of $64.8 million

6. *Liquidity and Capital Resources*

The following table shows TransLink's unrestricted cash and investments.

Unrestricted Cash and Investments
As at December 31

($ thousands)	2016	2015	Change	%
Cash and cash equivalents [1]	252,436	210,918	41,518	19.7%
Investments [1]	80,917	60,943	19,974	32.8%
Total	333,353	271,861	61,492	22.6%

[1] Prior year amounts restated due to reclassification of land reserve and TPCC investments to restricted cash and investments

The $61.5 million increase in unrestricted cash and cash equivalents and investments is primarily due to financing transactions net of outflows from operations. TransLink's strong liquidity position is further supported by a $500 million commercial paper program, of which $240 million is outstanding at year end (2015 - $120 million).

Financing

TransLink's debt management policy includes self-imposed debt coverage and debt service coverage limits. TransLink continues to remain within these limits.

As at December 31

($ thousands)	2016		2015		Change	%
Debt	2,347,266		2,144,102		203,164	9.5%
Less: Self-administered sinking funds	(162,394)		(117,761)		(44,633)	(37.9%)
Less: Debt reserve deposits	(35,049)		(36,407)		1,358	3.7%
Net Direct Debt	2,149,823	57.4%	1,989,934	55.1%	159,889	8.0%
Golden Ears Bridge contractor liability	1,049,021		1,050,913		(1,892)	(0.2%)
Deferred concessionaire credit	549,059		572,396		(23,337)	(4.1%)
Indirect P3 Debt	1,598,080	42.6%	1,623,309	44.9%	(25,229)	(1.6%)
Subtotal Net Direct Debt and Indirect P3 Debt	**3,747,903**	**100.0%**	**3,613,243**	**100.0%**	**134,660**	**3.7%**

Debt, which primarily finances capital spending, increased by $203.2 million. This was a result of an additional $120 million of commercial paper borrowing and a $150 million reopening of an existing bond which was issued at a $24.1 million premium due to a higher coupon rate of 4.45 per cent compared to 3.533 per cent. Offsetting this increase was $93.3 million in debt repayments.

As an addition to our debt repayments was a further $44.6 million of new contributions and compounded earnings within TransLink self-administered sinking fund. Net direct debt thus increased by $159.9 million (8.0 per cent).

Indirect P3 Debt decreased by 1.6 per cent through the principal repayment of $1.9 million of the Golden Ears Bridge contractor liability and $23.3 million amortization of the Canada Line deferred concessionaire credits.

Overall the total financing increased by $134.7 million (3.7 per cent), primarily through direct borrowing.

Credit Rating

Maintaining a high-quality credit rating is essential to ensure that TransLink can continue to access capital markets in the most cost-effective manner. The following table summarizes TransLink's current credit ratings and outlooks.

As at December 31, 2016

Agency	Commercial Paper	Senior Debt	General Obligation	Outlook
DBRS Limited	R-1 mid	AA	AA	Stable
Moody's Investors Service	Not Rated	Aa2	Aa2	Stable

Under the *South Coast British Columbia Transportation Authority Act*, TransLink's outstanding debt obligations cannot exceed TransLink's borrowing limit of $4.0 billion. The debt obligations are defined under the *SCBCTA Act* as the sum of current borrowings of TransLink secured by debentures, bonds, other forms of indentures, capital leases, short-term notes, lines of credit and bank overdrafts, excluding any prepaid financing costs. Any future increases in TransLink's borrowing limit need to be approved by the Mayors' Council (after consultation with Metro Vancouver) through an investment plan. As at December 31, 2016, TransLink's outstanding debt obligation, as defined above, was $3.02 billion[1] (2015 - $2.83 billion).

[1] Debt of $2.35 billion plus MFA administered sinking funds of $0.7 billion and net of capital lease reductions since inception, unamortized issue costs, and unamortized premiums /discounts of $0.03 billion.

7. Risk Factors

Financial risk

The main financial risks TransLink is exposed to are credit, liquidity and market risks.

Credit risk

Credit risk is the risk of loss resulting from bad debts on accounts receivables and non-performing investments.

(a) Accounts Receivable

The large majority of TransLink's accounts receivables are from the Province of BC (fuel tax, capital project funding and program passes) and Federal Government (GST rebate). For these balances, collectability risk is not significant. The bulk of the remaining accounts are associated with Golden Ears Bridge's tolls and individuals owing fare infraction fines:

- For Golden Ears Bridge tolls, V-Flow (tolling management company) works with ICBC to issue a Refuse-to-Issue (RTI) against overdue account holders. An RTI prevents vehicle owners from reinsuring vehicles and renewing their driver's license until they pay off the balance of their overdue account.
- For fare infraction fines, TransLink works either with ICBC to impose an RTI against individuals with a valid B.C. driver's license with overdue fines or the overdue fines are sent to a contracted collections agent that follows up directly with the individual for payment. Fare infraction fines are not a significant source of revenue for TransLink.

(b) Loan receivable

The loans receivable is due from Intergulf-Modern Green Development Corp., the Purchaser of the Oakridge Transit Centre. The Oakridge Transit Centre was sold for proceeds of $440 million whereby, the Authority received $88 million on December 20, 2016 and the remaining payments are due over approximately the next 6 years and secured by a mortgage against the property.

(c) Investments

Credit risk within the treasury function arises from the investments of the cash resources held by TransLink to meet internal liquidity requirements and for general business purposes. TransLink's investment policy identifies authorized investment types, limits asset concentrations, stipulates credit evaluation standards and delegates approval authorities. As these investments are limited to approved, reputable counterparties that are monitored on an ongoing basis, the investment risk is considered low.

Liquidity risk

Liquidity risk is the risk that TransLink may be unable to meet its financial obligations in a timely manner and at reasonable prices. Liquidity risk is low, as TransLink maintains an optimal mix of cash, short-term investments and short-term debt through a credit facility of $500 million committed out to March 2020.

In addition, TransLink's commercial paper program and long-term debt is directly accessed through the Canadian public and private debt capital markets. Another important liquidity risk mitigation measure has been the establishment of a self-administered sinking fund program to provide dedicated and restricted funding. This sinking fund investment portfolio is being built over time to help offset the repayment of TransLink issued bonds.

Market price risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For TransLink, the following are the main types of market risk: interest rate risk, foreign exchange risk, commodity risk and inflation risk.

(a) Interest Rate Risk

Interest rate risk related to TransLink's fixed interest rate long-term debt will be subject to the market interest rates at the date of refinancing. TransLink mitigates this source of interest rate risk by spreading maturities of borrowings over periods currently up to and including 2052 so that only a portion of outstanding debt will mature in any given fiscal year.

(b) Foreign Exchange Risk

TransLink receives all of its revenues in Canadian dollars and also incurs operating expenses and capital expenditures mostly in Canadian dollars. Accordingly, TransLink does not have a significant exposure to losses arising from fluctuations in exchange rates.

(c) Commodity Risk

TransLink's commodity risk pertains to usage of natural gas, electricity, gasoline and diesel to run its fleet of transit vehicles. Commodity risk is considered moderate as the majority of its bus fleet is powered by diesel fuel and to mitigate this risk, TransLink's policy is to purchase fixed price contracts for up to 75 per cent of the estimated diesel fuel use up to 12 months.

(d) Inflation Risk

TransLink is subject to a certain amount of inflation risk, i.e. the risk that inflation will rise faster than expected. Inflation risk is considered to be moderate.

Business Risk

As the region's multi modal transportation system, TransLink is exposed to various operational risks. TransLink identifies and manages these risks strategically through its Enterprise Risk Management (ERM) program using a systematic approach to identify, assess and respond to risks that affect the achievement of its strategic, operational, project and financial objectives. TransLink maintains a comprehensive insurance program utilizing its captive insurance company, the Transportation Property and Casualty Company (TPCC), to reduce the impact of any potential losses.

Environmental Risk

TransLink and its operating companies use the principles of an Environmental Management System (EMS) to guide informed decision-making and effective management of environmental risk. Coast Mountain Bus Company uses ISO 14001:2015 as a guideline to manage environmental risk. The EMS is designed to ensure hazards and risks are identified and assessed, and controls are implemented to mitigate significant risks. The EMS includes processes for identification and mitigation of environmental risks and regular review of environmental impacts, while continually improving environmental performance.

Labour relations risk

The substantial majority of employees across the TransLink enterprise are represented by various bargaining unit locals of Unifor, the Canadian Union of Public Employees (CUPE), the Canadian Office and Professional Employees Union (MoveUP/COPE) and Transit Police Professional Association (TPPA).

TransLink and its operating companies face financial risks related to negotiating collective agreements within the funding scope. In addition, in the event of a labour dispute, there is operational and reputational risk related to continuing to supply satisfactory services to customers. However, in a labour dispute, TransLink has the certainty of being able to continue to collect fuel tax, property taxes, toll fares and parking taxes.

Project risk

TransLink’s capital projects can vary significantly in terms of scope and complexity depending on whether TransLink is maintaining its existing asset base, keeping assets in a state of good repair or undertaking significant capital infrastructure expansion plans for rapid transit lines or regional bridges. Risk areas of capital projects include cost estimates, design assumptions and considerations, scope definition, schedule, market rates for consultants/constructors, indemnities/insurance, project management, property, municipal approvals and the environment. To manage these risks for large projects, TransLink can use an appropriate mix of public private partnerships (P3s) to design, build, finance, insure, operate and maintain the capital infrastructure to minimize and/or transfer risks to the private sector. TransLink supplements internal resources and expertise with specialized engineering, design, planning, and construction/implementation skills as needed to provide the due diligence and oversight required by each project.

TransLink’s capital approval process uses a two-stage approach that is aligned with the budget process. The first stage is the identification and definition of the project along with a budgetary estimate that is put forward for approval in principle. The second stage is more rigorous as this stage of approval involves the creation of a detailed project work plan that includes scope definition, identification of key stakeholders, risk assessment, mapping against corporate objectives and financial details. The project applications are reviewed by senior management in the context of the available funding, business priorities and the capital program approved by TransLink’s board in the 10-year plan. Specific project approval recommendations are provided by the Capital Review Committee which consists of Vice-Presidents from the Corporate Leadership team, including the operating companies, to the Corporate Executive Committee (CEC) consisting of the Chief Executive Officer, Chief Financial Officer, the General Manager and President of BCRTC and the General Manager and President of CMBC. The CEC provides approval and oversight for most capital projects, however, projects with high risk and costs over $50 million are referred to the TransLink Board for approval.

Project delivery is monitored and reported on a quarterly basis (larger projects may report monthly) to TransLink executives with a focus on any changes in budget, scope and risk. Each project has a project initiator, a project sponsor and appropriate stakeholder representation on the project team. During project delivery, procurement risk is reduced through appropriate market review and due diligence, tendering of projects, use of warranties and delay penalties.

Appendix I – Audited Consolidated Financial Statements

The 2016 Audited Financial Statements will be attached once it has been reviewed by the Audit Committee and the Board of Directors.

Appendix 2 – Five Year Historical Schedules

Year ended December 31 ($ millions)	2012	2013	2014	2015	2016	Compound Annual Growth Rate (CAGR) 2012-2016
Taxation	714.4	741.3	744.2	772.7	825.7	3.7%
Transit	460.6	495.6	495.6	511.4	541.6	4.1%
Government transfers *	85.2	84.6	90.3	228.9	240.5	29.6%
Golden Ears Bridge tollings	38.9	39.4	41.6	48.4	52.1	7.6%
Investment income	31.7	34.2	34.7	34.4	40.6	6.4%
Amortization of deferred concessionaire credit	23.3	23.3	23.3	23.3	23.3	0.0%
Miscellaneous	5.6	5.8	5.6	6.1	6.4	3.2%
Sub Total Continuing Operations	1,359.6	1,424.2	1,435.3	1,625.4	1,730.2	6.2%
AirCare	20.3	19.6	12.0	-	-	(100.0%)
Gain on disposal of tangible capital assets	41.6	(0.2)	6.4	2.3	422.2	78.5%
Total Revenue	1,421.5	1,443.6	1,453.8	1,627.7	2,152.3	**10.9%**

***** Restricted transfers from governments are deferred and recognized as revenue as the related stipulations in the agreement are met. Unrestricted transfers are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Total revenues have grown at a Compound Annual Growth Rate (CAGR) of 10.9 per cent since 2012 while revenue from Continuing Operations grew at an annual CAGR of 6.2 per cent

Taxation and Transit revenues have grown in-line with population growth and inflationary increases, while tolling revenues have exceeded population growth in the region.

Transfers from Governments have had a CAGR of 29.6 per cent since 2012, due to the change in revenue recognition relating to a new Federal Gas Tax agreement that does not include a stipulated holding period.

Investment income has grown at a 6.4 per cent CAGR over the five year period due to growing investment balances, primarily in TransLink's self-administered sinking fund.

Miscellaneous income which includes third party recoveries related to warranties, energy credits and recoverable costs related to Adjacent and Integrated Development and Telecom projects, continued to show year over year growth with a CAGR of 3.2 per cent.

5 YEAR CONSOLIDATED EXPENSES (BY SEGMENT)

Year ended December 31 ($ millions)	2012	2013	2014	2015	2016	Compound Annual Growth Rate (CAGR) 2012-2016
Bus division	624.1	618.8	633.2	643.5	656.5	1.3%
Corporate operations	57.4	61.9	67.2	80.9	91.2	12.3%
Rail division	239.5	240.6	255.6	268.3	265.9	2.6%
Roads & Bridges	118.5	93.5	83.6	71.2	52.5	(18.4%)
Transit Police	28.4	30.6	34.3	33.1	33.8	4.4%
Amortization of tangible capital assets *	164.0	166.8	161.5	168.3	181.7	2.6%
Interest *	177.7	172.9	171.1	167.9	172.7	(0.7%)
Sub Total Continuing Operations	1,409.5	1,385.1	1,406.5	1,433.2	1,454.3	0.8%
AirCare	17.4	16.2	15.8	-	-	(100.0%)
Corporate and Roads & Bridges One-time	3.8	5.5	4.6	32.1	29.7	66.8%
Total Expenses by Segment	1,430.8	1,406.8	1,426.9	1,465.3	1,484.0	0.9%

*Shown as a separate line to help facilitate analysis of debt service costs as GAAP statements allocate these amounts to the various segments

Total expenses have grown by a Compound Annual Growth Rate (CAGR) of 0.9 per cent since 2012. Excluding One-time costs the CAGR is 0.8 per cent. The growth in expenditures at less than inflation is the result of continuously monitoring our costs and looking for efficiencies. Corporate operations have increased mainly due to Compass operating costs such as; higher credit card fees, contracted services, and computer systems related costs to support and enhance the customer's experience with Compass. One-time costs have increased by a CAGR of 66.8 per cent, mainly due to Compass delivery, Rapid Transit studies, Evergreen Extension integration and non-capitalizable Pattullo Bridge design costs.

5 YEAR CONSOLIDATED EXPENSES (BY CATEGORY)

Year ended December 31 ($ millions)	2012	2013	2014	2015	2016	Compound Annual Growth Rate (CAGR) 2012-2016
Administration	23.3	24.3	27.6	32.8	38.9	13.7%
Amortization of capital assets	163.8	166.8	161.5	168.3	181.8	2.6%
Capital infrastructure contributions	66.3	52.4	44.0	30.7	3.9	(50.8%)
Contracted services	188.2	189.2	197.8	203.5	211.7	3.0%
Fuel and power	66.9	68.8	70.2	62.9	56.8	(4.0%)
Insurance	17.9	17.5	18.7	20.6	21.2	4.3%
Interest	177.7	172.9	171.1	167.9	172.7	(0.7%)
Maintenance, materials and utilities	113.9	102.2	113.1	121.6	129.9	3.3%
Professional and legal	18.7	13.8	12.1	16.2	25.4	8.0%
Rentals, leases and property tax	38.3	45.7	40.0	40.9	24.7	(10.4%)
Salaries, wages and benefits	534.6	529.7	550.4	567.2	587.3	2.4%
Provision for asset valuation	0.0	1.9	0.0	0.6	0.0	0.0%
Sub Total Continuing Operations	1,409.5	1,385.1	1,406.5	1,433.2	1,454.3	0.8%
AirCare	17.4	16.2	15.8	0.0	0.0	(100.0%)
Corporate and Roads & Bridges One-time	3.8	5.5	4.6	32.1	29.7	66.8%
Total Expenses by Category	1,430.8	1,406.9	1,426.9	1,465.3	1,484.0	0.9%

Appendix 3 – Golden Ears Bridge Funding

Golden Ears Bridge Cumulative Net Cash Flow Impact

Year ended December 31 ($ thousands)	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	COMPARISON TO 2015 Fav/ (Unfav)	COMPARISON TO 2015 %	2016 Budget	COMPARISON TO BUDGET Fav/ (Unfav)	COMPARISON TO BUDGET %	Compound Annual Growth Rate 2012-2016
Toll Revenue	38,859	39,421	41,623	48,444	52,116	3,672	7.6%	50,641	1,475	2.9%	7.6%
Expenses											
Tolling concessionaire	6,105	6,605	6,948	7,695	7,882	187	2.4%	7,539	(343)	(4.6%)	6.6%
O&M payments to DBFO contractor	4,489	4,556	4,584	4,698	4,755	57	1.2%	4,800	45	0.9%	1.4%
O&M insurance	1,142	1,119	1,102	1,096	1,045	(51)	(4.7%)	1,200	155	12.9%	(2.2%)
Safety payments to DBFO contractor	(3)	-	-	-	-	-	-	180	180	100.0%	(100.0%)
Others	278	261	301	106	195	89	84.5%	181	(14)	(7.7%)	(8.4%)
	12,011	12,541	12,935	13,595	13,877	281	2.1%	13,900	23	0.2%	3.7%
Net Interest on borrowings	7,404	7,376	7,423	7,433	7,380	(53)	(0.7%)	7,387	7	0.1%	(0.1%)
Sinking fund payment	5,103	5,103	5,103	5,103	5,103	0	0.0%	5,103	-	0.0%	0.0%
Sub-total Debt Service Costs	12,507	12,479	12,526	12,536	12,483	(98)	(0.8%)	12,491	(7)	(0.1%)	(0.0%)
Availability payments to DBFO contractor	54,342	54,847	62,041	67,570	68,591	1,021	1.5%	69,154	563	0.8%	6.0%
Total Expenditures	78,860	79,867	87,502	93,701	94,951	1,204	1.3%	95,544	594	0.6%	4.8%
Net Cash Flow (Deficit)/Surplus	(40,001)	(40,446)	(45,878)	(45,257)	(42,835)	2,423	(5.4%)	(44,904)	2,069	(4.6%)	1.7%
Cumulative Net Cash Flow (Deficit)/Surplus	(112,671)	(153,117)	(198,995)	(244,253)	(287,087)	(42,835)	17.5%	(289,156)	2,069	(0.7%)	26.3%
Net Notional Albion Ferry Savings	5,996	6,500	6,700	6,850	6,850						

Spanning the Fraser River, the Golden Ears Bridge connects the communities of Pitt Meadows and Maple Ridge to Langley, Surrey and beyond. The six-lane bridge and 14 kilometre road network provides a quick and convenient link for residents and businesses that reduces travel times and regional traffic congestion. The bridge opened on June 16, 2009 and features an electronic tolling system which was the first electronic tolling system in Canada when we launched.

Under the *South Coast British Columbia Transportation Authority Act,* TransLink is permitted to recover all or part of the costs associated with the construction and operating of the Golden Ears Bridge by charging and collecting of tolls on persons who use or operate a motor vehicle that has driven on the bridge.

Financing of the bridge was obtained through a Public Private Partnership (P3) concessionaire agreement with Golden Crossing General Partnership. The concessionaire would design, build, finance, operate, maintain, and rehabilitate the Golden Ears Bridge and its associated road network over 35.5 years. The contract is expected to expire in 2041 at which time the financing for the Bridge is expected to be repaid.

Appendix 4 – Operating Indicators

Operating Indicators

Year ended December 31	2012	2013	2014	2015	2016	Compound Annual Growth Rate (CAGR) 2012 - 2016 [11]
Service Performance Item						
Safety: Customer Injuries (per 1 million boarded passengers)						
- CMBC	3.4	3.4	3.5	4.3	4.5	7.3%
- Expo & Millennium Lines	1.1	1.2	1.3	1.3	1.1	-
- West Coast Express	0.7	1.5	0.4	0.8	0.4	(13.1%)
- HandyDART	28.5	21.2	13.0	13.4	11.0	(21.2%)
Safety: Employee Lost Time Frequency						
- CMBC (per 200,000 hours worked)	6.1	7.7	8.9	7.1	8.6	9.0%
- Expo & Millennium Lines (per 200,000 hours worked) [1]	4.6	3.6	3.5	3.6	3.9	(4.0%)
- West Coast Express (per 200,000 hours worked)	-	-	-	-	-	-
- HandyDART (per 200,000 hours worked) [2]	-	-	18.2	14.0	18.3	0.1%
Safety: CMBC Operator Assaults (per 1 million service hours)	23.2	37.0	24.3	22.3	20.3	(3.3%)
Ridership: Boarded Passengers (thousands)						
- CMBC	238,340	233,733	235,113	241,707	244,992	0.7%
- Expo & Millennium Lines	79,607	77,019	77,482	77,593	93,850	4.2%
- Canada Line	40,833	40,198	40,245	40,972	43,526	1.6%
- West Coast Express	2,872	2,750	2,625	2,649	2,459	(3.8%)
- HandyDART	1,511	1,460	1,464	1,340	1,366	(2.5%)
Ridership: Revenue Passengers (thousands)						
- Overall System	238,837	233,888	234,625	238,795	n/a	-
Ridership: Journeys (thousands)						
- Overall System	n/a	n/a	n/a	n/a	234,205	-
Vehicle Service Delivery: Percentage of Service Hours Delivered						
- CMBC	99.8%	99.6%	99.6%	99.7%	99.6%	(0.1%)
- Expo & Millennium Lines	99.6%	99.4%	99.5%	99.5%	99.6%	-
- Canada Line [1]	100.0%	100.0%	100.0%	100.0%	100.0%	-
- West Coast Express [1]	100.0%	99.9%	99.8%	99.6%	99.7%	(0.1%)
- HandyDART (% of requested trips delivered)	97.2%	96.5%	98.0%	99.6%	99.4%	0.6%
Vehicle Punctuality: On-Time Performance						
- CMBC (< 2 Minutes Late) [2]	n/a	n/a	85.0%	85.6%	80.5%	(1.4%)
- Expo & Millennium Lines (headway + 3 minutes) [3]	95.7%	94.9%	94.1%	95.9%	95.1%	(0.2%)
- West Coast Express (headway + 5 minutes) [1]	96.9%	98.0%	97.7%	95.6%	95.3%	(0.4%)
- HandyDART (within 15 minutes of Scheduled Pick-Up Time) [2]	n/a	n/a	89.2%	89.5%	88.5%	(0.2%)
Vehicle Reliability: Mean Distance Between Failure						
- CMBC	27,540	25,964	22,366	24,562	27,859	0.3%
- Expo & Millennium Lines [1,4]	660,076	664,853	550,329	437,320	360,406	(14.0%)
- West Coast Express [1]	197,503	274,902	229,169	195,635	229,190	3.8%
HandyDart Vehicle Productivity						
- Trips per service hour (excludes taxis)	2.0	2.0	2.0	2.0	2.0	-
- Trip Denials	37,690	42,418	16,869	1,613	3,558	(44.6%)

Operating Indicators continued

Year ended December 31	2012	2013	2014	2015	2016	Compound Annual Growth Rate (CAGR) 2012 - 2016 [11]
Environmental						
- CMBC (Spills per 1 Million Km)	12.3	12.0	9.3	8.5	6.8	(13.8%)
- CMBC (Revenue Vehicle Energy Consumption in Gigajoules) [5]	1,689,067	1,737,362	1,828,144	1,838,967	1,843,990	2.2%
Customer Service: Customer Satisfaction (overall score of 10)						
- Overall System [6]	7.7	7.6	7.6	7.5	7.6	(0.3%)
- CMBC	7.7	7.7	7.8	7.7	7.9	0.6%
- Expo & Millennium Lines	8.2	8.1	7.9	8.0	8.1	(0.3%)
- Canada Line	8.7	8.6	8.7	8.6	8.5	(0.6%)
- West Coast Express	8.6	8.5	8.5	8.1	8.6	-
- HandyDART	8.0	8.1	8.2	8.5	8.5	1.5%
Customer Service: Customer Complaints						
- Overall System [6] (per 1 million boarded passengers)	88.9	103.6	96.0	94.2	98.7	2.6%
- CMBC (per 1 million boarded passengers)	108.9	124.5	116.2	111.0	119.8	2.4%
- Expo & Millennium Lines (per 1 million boarded passengers) [1]	32.9	35.8	41.5	34.7	30.5	(1.9%)
- Canada Line (per 1 million boarded passengers) [1]	6.0	10.6	8.1	8.3	15.7	27.2%
- West Coast Express (per 1 million boarded passengers)	196.0	217.8	197.7	335.2	315.9	12.7%
- HandyDART (per 1 million boarded passengers)	1,037.8	1,045.2	1,079.7	997.4	1,076.9	0.9%
Financial: Operating Costs						
- Overall System [7] (operating cost per capacity km)	0.078	0.079	0.082	0.084	0.086	2.7%
- CMBC (operating cost per capacity km)	0.119	0.117	0.119	0.119	0.123	0.8%
- Expo & Millennium Lines (operating cost per capacity km)	0.023	0.024	0.026	0.029	0.031	7.8%
- Canada Line (operating cost per capacity km)	0.094	0.100	0.103	0.105	0.106	3.2%
- West Coast Express (operating cost per capacity km)	0.085	0.087	0.097	0.099	0.089	1.3%
- HandyDART (operating cost per trip) [8]	38.56	39.91	40.30	40.64	40.95	1.5%
Financial: Operating Cost Recovery						
- TransLink (conventional system) [9,10]	52.1%	56.1%	53.7%	53.6%	55.0%	1.4%

[1] *Restated in some prior years to reflect year end adjustments*

[2] *Started reporting this measure in 2014*

[3] *Due to change from 2 minutes to 3 minutes delay to align with industry standards, restated figures in prior years*

[4] *Restated to exclude non-revenue kilometres*

[5] *Gasoline litres not reported for 2011 - 2013*

[6] *Excludes HandyDART*

[7] *Includes Bus, SeaBus, Expo & Millenium Line, Canada Line, West Coast Express and Police operating costs.*

[8] *2012-2015 figures have been restated to exclude Taxisaver Cost*

[9] *Excludes corporate one-time costs*

[10] *Restated in some prior years to exclude corporate one-time costs*

[11] *Calculations based on whole numbers*

Appendix 5 – Allocated Costs between Divisions

Year ended December 31 ($ thousands)	2012	2013	2014	2015	2016
Shared Services [1]					
Bus division	16,553	21,229	23,779	23,440	25,756
Access Transit	-	-	-	972	683
SkyTrain - Expo & Millenium Line	349	731	837	1,108	1,051
West Coast Express	26	69	47	70	61
Transit Police	69	1,453	1,525	1,679	1,557
Total Shared Services allocated	16,997	23,482	26,188	27,269	29,108
Costs Administered by TransLink and allocated to subsidiaries [2]					
Bus division	16,460	14,490	15,135	16,411	18,441
SkyTrain - Expo & Millenium Line	3,838	3,418	3,581	4,770	4,840
SkyTrain - Canada Line	1,786	395	2,009	2,215	2,451
West Coast Express	11,853	13,537	14,616	15,725	578
Transit Police	-	1,097	1,639	1,793	1,753
Costs Administered by TransLink allocated	33,937	32,937	36,980	40,914	28,063
Bus Division	33,013	35,719	38,913	39,851	44,197
Access Transit	-	-	-	972	683
SkyTrain - Expo & Millenium Line	4,187	4,149	4,418	5,878	5,891
SkyTrain - Canada Line	1,786	395	2,009	2,215	2,451
West Coast Express	11,879	13,606	14,662	15,794	639
Transit Police	69	2,550	3,164	3,472	3,310
Total costs allocated to Subsidiaries from TransLink	50,935	56,419	63,166	68,182	57,171

[1] Includes Business Technology & Human Resources costs

[2] Includes property tax, building leases, insurance, and fare media costs

TransLink's methodology for allocating costs to benefitting business units is equitable and consistent with leading practices. TransLink allocates costs to business units (Bus division, Access Transit, SkyTrain, West Coast Express and Transit Police) which directly benefit or consume the service or costs.

Business units can be allocated 100 per cent of a cost if it is the only one benefitting/consuming that cost or costs can be shared across multiple business units that benefit/consume the cost based on an allocation factor (e.g. head count, square foot). The charges that are allocated to the business units include; human resources, administration, rentals and leases, and information technology.