2017 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 unique needs of this region. Our vision is to create a better place to live, built on transportation excellence. Guided by the regional transportation strategy, we work to connect the region and enhance its livability by providing a sustainable transportation system network.

To meet the challenges of growth and congestion in a way that is affordable and fair, in 2014 the Mayors' Council on Regional Transportation developed the 10-Year Vision for Metro Vancouver Transit and Transportation (10-Year Vision), with 2017 marking the first year in Phase One of the 10-Year Vision.

In 2017 TransLink successfully delivered on our priorities as committed to our customers, notably we:

- Delivered significant investments in transit across the region, including increased frequency and capacity on SeaBus, Expo, Millennium and Canada Lines and added new bus routes and service hours – representing the largest service increase since 2009;
- Launched multiple new and innovative services, including proximity-enabled accessible entrances at SkyTrain stations and pilots for vanpool, double decker buses and battery-electric buses; and
- Achieved a record-breaking 408 million boardings (5.7 per cent increase over 2016) equivalent to 248 million journeys across the entire system (5.8 per cent increase over 2016).

For the year ended December 31, 2017, TransLink reported a $96.2 million surplus, Transit revenues were $591 million; 9 per cent higher than last year - a reflection of continued record ridership attributable to service improvements and expansion across the system. Revenues out-paced ridership growth of 6 per cent and while operational costs grew due to expansion, they were managed at growth levels of 7 per cent also below revenue growth. TransLink has made continued improvements to manage expenditures and focus on efficiencies. Going into 2018 with another Investment Plan on the horizon, TransLink is in a strong financial position. TransLink continues to maintain financial strength metrics to enable the long term vision and focus on financial capacity to ensure the plan is aligned with expansion requirements. In addition to strong ridership growth, successful results for 2017 compared to budget can also be attributed to:

- Higher investment income from the receivable of the sale of surplus property in 2016;
- Lower amortization expenses;
- Timing of capital infrastructure contributions; and
- Salary and benefits savings due to vacancies and medical services plan reductions.

Key Priorities

The three main priorities in 2017 focused on ensuring a state of good repair, mobilizing the Mayors' 10-Year Vision and improving customer experience and public support. The accomplishments of 2017 based on the main priorities are highlighted below.

Priority One: Ensure State of Good Repair

TransLink will proactively manage and maintain all assets in a state of good repair to ensure safety and reliability optimize lifecycle costs and enhance the customer experience.

We are making significant investments in infrastructure to ensure they are maintained in a state of good repair. In 2017, we:

- Completed the Business Case for a new Pattullo Bridge and worked with the Province to secure funding;
- Implemented a Safety Management System (SMS) in the maintenance division of Coast Mountain Bus Company (CMBC);
- Continued to replace running rail and rail pads on the Expo and Millennium Lines to improve ride quality and reduce noise levels;
- Progressed capital projects, including an accelerated program to replace elevators and escalators at Expo Line stations and renovations of the SeaBus terminals and SkyTrain stations; and
- Progressed on station upgrades including the installation of the overhead walkway at Commercial – Broadway Station.

We continued to make progress in key state of good repair initiatives, including:

- Development of a detailed implementation and resourcing plan for the Enterprise Asset Management (EAM) system at British Columbia Rapid Transit Company Ltd. (BCRTC);
- Establishment of an Enterprise Safety Steering Committee to develop enterprise-wide safety policies and procedures; and
- Progress on all 20 recommendations identified in the 2014 SkyTrain Independent Review. Eleven recommendations are complete and the remaining 9 are in progress.

Priority Two: Mobilize the Mayors' Vision

We will successfully deliver the capital projects, service expansion and policy initiatives necessary to mobilize the Mayors' Vision.

To deliver on the service expansion commitments made in Phase One of the 10-Year Vision, in 2017, we:

- Increased service frequency for the Expo, Millennium and Canada Lines, as well as SeaBus;
- Added 172,000 conventional bus and 45,000 community shuttle service hours system wide;
- Added over 22,600 Access Transit trips and implemented recommendations from the Custom Transit Service Delivery Review;
- Increased bus capacity and expanded service by refurbishing existing vehicles and placing 26 new conventional buses and 40 new community shuttles on the roads;
- Expanded the fleet, ordering 28 new SkyTrain cars for Expo and Millennium Lines (total of 56 new cars being manufactured), 24 SkyTrain cars for Canada Line and a new SeaBus vessel; and
- Hired and trained more than 500 Transit Operators to support the increase in service expansion.

To continue to make progress in mobilizing the Mayors' Vision, we:

- Finalized a multi-year work plan to guide progress on completing priority actions in the Regional Goods Movement Strategy;
- Progressed negotiations with the Province on funding and delivery of the Pattullo Bridge Replacement project;
- Advanced the planning and design work for the Vancouver and Surrey rapid transit projects. In March, the Federal Government committed $2.2 billion towards rapid transit infrastructure projects;
- Continued to make progress on the development of a Low Carbon Fleet Strategy to reduce emissions across the region; and

- Launched the Mobility Pricing Independent Commission, tasked with studying options for regional mobility pricing on the road network.

Priority Three: Improve Customer Experience and Public Support
With a customer first approach, we will build public trust and confidence in TransLink by focusing on growing ridership, engaging stakeholders and delivering the Mayors' Vision.

In order to increase customer satisfaction, we:

- Completed the Custom Transit Service Delivery Review, receiving Board approval of key recommendations to help improve standards and quality, responsiveness, service delivery and operations;
- Launched a pilot of double decker buses to help address overcrowding on select longer-distance routes;
- Enhanced public safety and community outreach initiatives through Transit Police;
- Accelerated the installation of "T" identification signs and Transit Information Panels to improve wayfinding signage and schedules;
- Redesigned the desktop and mobile Transit Alert Page to deliver timely alerts in a user friendly format; and
- Completed installation of proximity-enabled accessible entrances at 40 per cent of SkyTrain stations in preparation for the soft launch of the fare gate accessibility program in January 2018.

To continue to make progress on improving public support, we:

- Launched the TransLink Accountability Centre on the TransLink website in January 2017 to increase transparency;
- Continued to lead a comprehensive Transit Fare Review that will result in recommendations on how to improve the way that transit fares are set in Metro Vancouver;
- Provided events, media interviews and marketing material to launch the implementation of Phase One of the Mayors' Plan; to inform the public about improvements to SkyTrain, Canada Line and SeaBus capacity as well as improvements to HandyDART and bus availability; and
- Continued stakeholder engagement and public consultation on the Phase Two projects: Millennium Line Broadway Extension and Surrey-Newton-Guildford Light Rapid Transit (LRT).

2. 5 Year Summary

TransLink continues to maintain financial strength to support the long-term vision and enable expansion. Financial and operating indicators are measured and monitored throughout the year. At the end of 2017, financial indicators are positive with the known exception of a slight increase to gross interest to revenue, due to the recent debt issue.

TransLink's discipline and financial management practices have resulted in continued improvements in unrestricted cash and investments, with a strong balance of $485 million. Conscious and proactive decision making has set up the organization for success by creating financial capacity and ensuring TransLink is on the right track for managing the financial horizon.

TransLink's robust borrowing program provides an ability to go directly to the capital markets with a solid reputation as a good investment, meaning greater cost certainty for debt management. It provides assurance to the credit rating agencies and investors and provides flexibility to TransLink to use both short term and long term financing. TransLink's net direct debt increased in 2017 by 71 million to $2.2 billion, to finance capital spending.

TransLink has an expanding Capital Program with strong oversight. Tangible capital assets grew to $4.9 billion. At the end of 2017, the total capital program budget was $3.8 billion, with $1.6 billion in active projects. Of the $1.6 billion in active projects, final forecasted costs for these projects is 2.3 per cent or $37 million below budget.

Compared to last year, transit ridership grew 6 per cent, operating costs increased 7 per cent, while transit revenues outpaced both at 9 per cent. Efficiency gains and effective service optimization initiatives have resulted in an improvement to the cost recovery rate (55.8 per cent at year-end) compared to the prior year.

Key financial and operating indicators are shown in the following table providing a five year historical summary.

Year ended December 31 (all numbers in millions unless otherwise stated)	2013	2014	2015	2016	2017	COMPARISON TO 2016 [9] Fav / (Unfav)	 %	Compound Annual Growth Rate (CAGR) [9]
FINANCIAL INDICATORS								
Unrestricted cash and investments [1]	288	257	272	333	485	152	45.5%	13.9%
Tangible capital assets	4,451	4,512	4,607	4,868	4,907	39	0.8%	2.5%
Net direct debt [2]	1,913	1,933	1,990	2,150	2,221	(71)	(3.3%)	3.8%
Indirect P3 debt [3]	1,664	1,647	1,623	1,598	1,571	27	1.7%	(1.4%)
Total net direct debt and indirect P3 debt	3,577	3,580	3,613	3,748	3,792	(44)	(1.2%)	1.5%
Gross interest cost as a % of operating revenue	13.3%	13.1%	12.4%	12.0%	12.2%	(0.2%)	(1.7%)	(2.1%)
OPERATING INDICATORS								
Scheduled Transit Service								
Overall performance rating (out of 10)	7.6	7.6	7.5	7.6	7.7	0.1	1.3%	0.3%
Service hours [4]	6.2	6.3	6.3	6.3	6.7	0.3	5.5%	1.9%
Total Cost recovery ratio [4,5]	56.1%	53.7%	53.6%	54.7%	55.8%	1.1%	2.0%	(0.1%)
Operating cost per capacity kilometre *[6]	$ 0.079	$ 0.082	$ 0.084	$ 0.085	$ 0.083	$ 0.002	2.2%	1.5%
Complaints per million boarded passengers *[7]	103.6	96.0	95.3	98.7	93.4	5.3	5.4%	(2.6%)
Access Transit Service								
Number of trips (thousands)	1,181	1,169	1,205	1,227	1,250	23	1.8%	1.4%
Operating cost per trip*	$ 39.91	$ 40.30	$ 40.64	$ 40.95	$ 42.73	$ (1.78)	(4.3%)	1.7%
Number of trips denied (thousands)	42.4	16.9	1.6	3.6	1.4	2.2	61.7%	(57.7%)
Complaints per 100,000 boarded passengers*	104.5	108.0	99.7	107.7	120.2	(12.5)	(11.6%)	3.6%
Golden Ears Bridge								
Crossings	11.0	11.7	12.7	13.5	15.2	1.6	12.2%	8.3%
Average toll per crossing *[8]	$ 3.29	$ 3.60	$ 3.65	$ 3.70	n/a			
Ridership								
Boarded passengers (system)	355.2	356.9	364.3	386.2	408.2	22.0	5.7%	3.5%
Revenue passengers (system)	233.9	234.6	238.8	n/a	n/a			
Journeys (system)	n/a	n/a	n/a	234.2	247.8	13.6	5.8%	
Average fare per revenue passenger (scheduled)*	$ 2.06	$ 2.05	$ 2.06	n/a	n/a			
Average fare per journey (scheduled)*	n/a	n/a	n/a	$ 2.24	$ 2.31	$ 0.07	3.1%	
REGIONAL INDICATORS								
Population of Service Region	2.44	2.47	2.51	2.56	2.59	0.03	1.3%	1.5%
Employment of Service Region	1.25	1.27	1.29	1.36	1.40	0.04	3.2%	3.0%

* 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 2014-2016 to reflect year end adjustments

[5] Includes operating costs of Bus, Rail, Transit Police and Corporate On-going

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

[7] Restated 2015 to reflect year end adjustments

[8] 2017 comparable data not available due to the elimination of GEB Tolls effective September 1, 2017

[9] Calculations based on whole numbers

Financial Indicators

TransLink's unrestricted cash and investments is a metric representing the accumulated funding resources as required under the South Coast British Columbia Transportation Authority (SCBCTA) Act. This represents the amount of resources available to fund future operations. The Compound Annual Growth Rate (CAGR) since 2013 is 13.9 per cent. Compared to 2016, unrestricted cash and investments increased $152 million mainly due to higher transit revenues, timing of borrowing for capital projects and lower capital spending.

Capital assets increased from $4.5 billion in 2013 to $4.9 billion in 2017. This represents a CAGR increase of 2.5 per cent. Compared to 2016, capital assets increased $39 million (0.8 per cent) mainly due to the acquisition of new buses to replace vehicles at the end of service life and the completion of the Joyce-Collingwood SkyTrain station upgrade project.

Net direct debt increased by $308 million since 2013, a 3.8 per cent CAGR, to fund capital projects. Compared to 2016, net direct debt increased $71 million (3.3 per cent) due to additional borrowing to finance expected capital spending.

The Indirect P3 debt declined by $93 million or 1.4 per cent CAGR since 2013. Compared to 2016, Indirect P3 debt declined by $27 million (1.7 per cent), mainly due to amortization of the Canada Line deferred concessionaire credit.

Gross interest costs as a percentage of operating revenues decreased from 13.3 per cent to 12.2 per cent over the five year period due to lower interest rates and higher operating revenues. However, compared to 2016, TransLink's gross interest costs as a percentage of operating revenues increased from 12.0 per cent to 12.2 per cent mainly due to higher outstanding debt. The ratio continues to be well within TransLink's 20 per cent policy limit.

Operating Indicators

Scheduled Transit Service

The overall performance rating measuring customer satisfaction across the entire system increased by a CAGR of 0.3 per cent over the five year period and 1.3 per cent over 2016. Improvements are mainly due to:

- TransLink's largest service increase since 2009 as well as continuous efforts to improve customer safety and satisfaction;
- Increased communications with customers to provide information and advice about travel plans;
- Enhanced public safety and community outreach initiatives through Transit Police; and
- Accelerated installation of 'T" signs and Transit information panels to improve wayfinding signage.

Service hours increased by 5.5 per cent in 2017 over 2016, as a result of the expansion of service delivery through the Evergreen Extension of the Millennium Line (Evergreen Extension) in late 2016 as well as increased bus, SeaBus and rail service hours as committed in Phase One of the 10-Year Vision. Over the past five years the CAGR for service hours has increased by 1.9 per cent, mainly related to service expansion as well as adjustments through scheduling efficiencies and service optimization initiatives.

The total cost recovery ratio measuring the percentage of direct operating costs covered by transit revenues increased 2.0 per cent compared to 2016 as revenue growth out-paced operating cost increases. When looking at the past five years, however, there was a slight decrease by a CAGR of 0.1 per cent, mainly due to additional service costs associated with the Evergreen Extension.

Operating costs per capacity kilometre increased by 1.4 per cent CAGR over the five year period mainly due to inflationary increases. Compared to 2016, this metric was 2.2 per cent lower mainly due to increased capacity resulting from the Evergreen Extension and additional service expansion across the system.

Complaints per million boarded customers decreased by 5.3 to 93.4 (5.4 per cent) in 2017 over 2016 and decreased by a CAGR of 2.6 per cent over the last five years mainly due to service expansion in the region and improved customer service. Complaints peaked in 2013 when a fare increase was enacted for the first time in five years when service optimization changes were implemented. In 2017, complaints were largely related to track noise following the rail grinding work on SkyTrain in the summer and service disruptions related to unpredictable and unusual winter weather conditions.

Access Transit Service

An additional 22,600 trips were delivered in 2017 despite winter weather conditions impacting service in the first quarter of the year. This represents an increase of 1.8 per cent over 2016 as a result of service expansion committed in the Phase One of the 10-Year Vision.

Operating costs per trip increased by 1.7 per cent CAGR over the five year period mainly due to inflationary and contractual increases offset by internal efficiencies and taxi supplements. Operating costs per trip increased by $1.78 (4.3 per cent) compared to 2016 mainly due to contractual increases and higher fuel prices.

Trip denials decreased by 57.7 per cent CAGR since 2013 due to the increase in taxi supplements. Similarly, trip denials decreased by 2,200 denials (61.7 per cent) as compared to 2016 mainly due to increased service hours as committed in Phase One of the 10-Year Vision.

Complaints per one hundred thousand boarded passengers increased 11.6 per cent over 2016. The main causes for customer complaints were HandyDART operator behavior and lateness of service largely caused by traffic congestion and winter weather conditions in the first part of the year. Overall, the CAGR increased by 3.6 per cent over the five year period mainly due to an increase in the number of taxi trips related complaints.

Golden Ears Bridge

Total crossings in 2017 increased 12.2 per cent over 2016; the notable growth in crossings was after September 1st when the Province of British Columbia eliminated bridge tolling throughout the province, including tolls on the Golden Ears Bridge.

Ridership

Boardings represent each time a passenger enters a fare paid zone using Compass fare media or other proof of payment including transfers. Boardings for the Conventional System and Access Transit in 2017 hit an all-time record high of 408.2 million, growing by 3.5 per cent CAGR over the five year period and 5.7 per cent over 2016.

Journeys represent a complete transit trip using Compass fare media or other proof of payment, regardless of the number of transfers. Journeys for the Conventional System and Access Transit also achieved a record of 247.8 million, growing by 5.8 per cent over 2016.

The exceptional growth in Boardings and Journeys are a result of improved transit service, a strong economy with low unemployment rates and higher gas prices which are influencing commuters to use more public transportation. Ridership growth continued throughout the year suggesting that the July 1, 2017 transit fare increase did not negatively impact customer behaviour.

The Average Fare per Journey in 2017 was $2.31 which is $0.07 (3.1 per cent) higher than 2016 mainly due to the fare increases rolled out in July.

3. Consolidated Statement of Operational Analysis

CONSOLIDATED REVENUES AND EXPENSES

Year ended December 31 ($ thousands)	YEAR OVER YEAR 2017 ACTUAL	2016 ACTUAL	COMPARISON TO 2016 FAV/ (UNFAV)	%	ACTUAL TO BUDGET 2017 BUDGET [2]	COMPARISON TO BUDGET FAV/ (UNFAV)	%
Revenue							
Taxation	821,333	825,670	(4,337)	(0.5%)	833,028	(11,695)	(1.4%)
Transit	590,964	541,589	49,375	9.1%	558,910	32,054	5.7%
Government transfers	166,902	240,533	(73,631)	(30.6%)	281,904	(115,002)	(40.8%)
Golden Ears Bridge tollings	29,743	52,116	(22,373)	(42.9%)	55,744	(26,001)	(46.6%)
Investment income	50,278	40,567	9,711	23.9%	37,712	12,566	33.3%
Amortization of deferred concessionaire credit	23,274	23,337	(63)	(0.3%)	23,337	(63)	(0.3%)
Miscellaneous	7,009	6,351	658	10.4%	5,464	1,545	28.3%
Sub Total Continuing Operations	**1,689,503**	**1,730,163**	**(40,660)**	**(2.4%)**	**1,796,099**	**(106,596)**	**(5.9%)**
Gain/(loss) on disposal of tangible capital assets	(1,104)	422,183	(423,287)	(100.3%)	149,677	(150,781)	(100.7%)
Total Revenue	**1,688,399**	**2,152,346**	**(463,947)**	**(21.6%)**	**1,945,776**	**(257,377)**	**(13.2%)**
Expenses							
Bus division	688,877	656,542	(32,335)	(4.9%)	693,590	4,713	0.7%
Corporate operations	97,974	91,203	(6,771)	(7.4%)	102,770	4,796	4.7%
Rail division	297,366	265,940	(31,426)	(11.8%)	300,010	2,644	0.9%
Roads & Bridges	84,183	52,453	(31,730)	(60.5%)	103,244	19,061	18.5%
Transit Police	37,179	33,759	(3,420)	(10.1%)	36,921	(258)	(0.7%)
Amortization of capital assets [1]	192,171	181,663	(10,508)	(5.8%)	209,286	17,115	8.2%
Interest [1]	181,766	172,705	(9,061)	(5.2%)	176,301	(5,465)	(3.1%)
Sub Total Continuing Operations	**1,579,516**	**1,454,265**	**(125,251)**	**(8.6%)**	**1,622,122**	**42,606**	**2.6%**
Corporate One-time	12,640	29,684	17,044	57.4%	15,377	2,737	17.8%
Total Expenses	**1,592,156**	**1,483,949**	**(108,207)**	**(7.3%)**	**1,637,499**	**45,343**	**2.8%**
Surplus for the Year	**96,243**	**668,397**	**(572,154)**	**(85.6%)**	**308,277**	**(212,034)**	**(68.8%)**

[1] Amortization and Interest shown separately to facilitate analysis
[2] Budget reallocated due to approved contingency

The year ended with a $96.2 million surplus. This was significantly lower than 2016 due to a large gain on disposal of assets that occurred in 2016. It is also lower than budget, due to the disposal of asset occurring earlier than originally planned.

Transit revenues are higher compared to last year and to budget as strong increases in ridership continue.

Timing of capital spending and related transfers from government have an impact on comparisons over both the previous year and budget. Expenses are up over 2016 due to service increases across all modes.

Details of the variances are provided in the following analysis.

Consolidated Revenues – Comparison to 2016

Year ended December 31	ACTUAL		COMPARISON TO 2016	
($ thousands)	2017	2016	Fav/ (Unfav)	%
Taxation	821,333	825,670	(4,337)	(0.5%)
Transit	590,964	541,589	49,375	9.1%
Government transfers				
Senior Government Funding	148,270	240,533	(92,263)	(38.4%)
Golden Ears Bridge Tolling Replacement Revenue	18,632	-	18,632	(7.2%)
Golden Ears Bridge tollings	29,743	52,116	(22,373)	
Investment income	50,278	40,567	9,711	23.9%
Amortization of deferred concessionaire credit	23,274	23,337	(63)	(0.3%)
Miscellaneous	7,009	6,351	658	10.4%
Sub Total Continuing Operations	1,689,503	1,730,163	(40,660)	(2.4%)
Gain/(loss) on disposal of tangible capital assets	(1,104)	422,183	(423,287)	(100.3%)
Total Revenue	**1,688,399**	**2,152,346**	**(463,947)**	**(21.6%)**

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 (fares) and government transfers. Total revenues decreased from $2.2 billion in 2016 to $1.7 billion in 2017, mainly due to the sale of surplus property in 2016. Excluding the sale of surplus property, revenues from continuing operations were $40.7 million less than 2016 mainly due to timing of transfers from government, partly offset by higher transit revenues driven by the increase in ridership as a result of service expansion and a fare increase in July 2017.

According to the Conference Board of Canada, Vancouver was one of the strongest economies across Canada with a real GDP growth of 3.2 per cent in 2017 compared to 2.9 percent on average for Canada. The strong economy, higher demand for public transportation and service expansion implemented throughout 2017 led to record ridership levels with 408 million boardings and 248 million journeys.

Taxation

Year ended December 31	ACTUAL		COMPARISON TO 2016	
($ thousands)	2017	2016	Fav/ (Unfav)	%
Fuel tax	373,780	395,731	(21,951)	(5.5%)
Property tax	339,124	324,496	14,628	4.5%
Parking Rights tax	70,019	67,033	2,986	4.5%
Hydro levy	20,576	20,450	126	0.6%
Replacement tax	17,834	17,960	(126)	(0.7%)
Total Taxation	**821,333**	**825,670**	**(4,337)**	**(0.5%)**

Total taxation revenues were $4.3 million (0.5 per cent) lower than 2016 mainly due to lower fuel tax revenues partly offset by increases in revenues from property taxes.

Fuel tax revenue decreased by $22.0 million (5.5 per cent) compared to 2016 mainly due to lower volumes of diesel and gasoline consumed in the region (5 per cent lower than 2016) consistent with slightly lower Vehicle Kilometres Traveled (VKT) as well as higher adjustments processed in the year.

Fuel suppliers have up to 48 months submit an adjustment to their fuel tax from fuel sold outside of our tax region.

Property tax revenue increased by $14.6 million (4.5 per cent) compared to 2016 due to increases in taxation from existing properties as well as from new development and construction growth.

Parking rights tax revenue increased by $3.0 million (4.5 per cent) over 2016 mainly due to new developments and revenue growth within existing properties partly due their parking rate increases.

Transit

Year ended December 31	ACTUAL		COMPARISON TO 2016	
($ thousands)	2017	2016	Fav/ (Unfav)	%
Fares	456,660	413,724	42,936	10.4%
Program	112,058	108,561	3,497	3.2%
Total Fares	568,718	522,285	46,433	8.9%
Other transit	22,246	19,304	2,942	15.2%
Total Transit	**590,964**	**541,589**	**49,375**	**9.1%**

Total transit revenue includes fares, program revenue and other transit related revenue such as transit advertising, park and ride and fare infraction revenue. Total transit revenue in 2017 was $591.0 million, an increase of $49.4 million (9.1 per cent) over 2016.

In 2017, total revenue from fares was $456.7 million which is $42.9 million (10.4 per cent) higher than 2016. The increase is a result of the major service expansion rolled out in 2017 as part of the Phase One of the 10-Year Vision. Total ridership reached an all-time record high of 408 million boardings (5.7 per cent increase over 2016) equivalent to 248 million journeys across the entire system (5.8 per cent increase over 2016).

Program revenue includes revenues from U-Pass BC and Government Bus Pass programs. In 2016, program revenue totalled $112.1 million, which is $3.5 million (3.2 per cent) higher than 2016 mainly due to increased participation in both programs.

Other transit revenue totalled $22.2 million in 2017 and was $2.9 million (15.2 per cent) higher than 2016 mainly due to contractual increases for advertising on the transit system, new sources for property advertising, higher property rental revenues and sale of carbon tax credits, partly offset by lower fare infraction revenues compared to 2016.

Government Transfers

Transfers from government include funds received from Greater Vancouver Regional Fund (GVRF), Canada Line funding, Build Canada Fund, Public Transit Infrastructure Fund and other miscellaneous programs. Also included is funding provided by the Province in lieu of tolling revenue on the Golden Ears Bridge.

Total transfers were $73.6 million (30.6 per cent) lower than 2016, mainly due to lower Federal Gas tax transfers driven by timing of project spending ($71.2 million) partly offset by Golden Ears Bridge contributions in lieu of foregone bridge toll revenues ($18.6 million).

Golden Ears Bridge Tolling

On September 1, 2017, the Province of British Columbia eliminated bridge tolling throughout the province, including tolls on the Golden Ears Bridge. Funds in lieu of tolling revenue have been reported as Government Transfers.

Investment Income

Investment income was $9.7 million (23.9 per cent) higher than prior year mainly due to interest income on the loan receivable from the sale of surplus property in late 2016 as well as higher cash and investment holdings.

Miscellaneous Income

Miscellaneous income increased $658 thousand (10.4 per cent) over 2016, primarily due to higher recoveries from external parties, such as Transit Police officers that were seconded to other agencies and monitoring fees received from real estate developers through the Adjacent and Integrated Development program.

Gain (loss) on disposal of assets

Due to the sale of surplus property in late 2016, there is a decrease in gain (loss) on the disposal of assets by $423.3 million compared to 2016.

Consolidated Revenues – Comparison to Budget

Year ended December 31 ($ thousands)	2017 ACTUAL	 BUDGET	COMPARISON TO BUDGET Fav/ (Unfav)	 %
Taxation	821,333	833,028	(11,695)	(1.4%)
Transit	590,964	558,910	32,054	5.7%
Government transfers				
Senior Government Funding	148,270	281,904	(133,634)	(47.4%)
Golden Ears Bridge Tolling Replacement Revenue	18,632	-	18,632	(13.2%)
Golden Ears Bridge tollings	29,743	55,744	(26,001)	
Investment income	50,278	37,712	12,566	33.3%
Amortization of deferred concessionaire credit	23,274	23,337	(63)	(0.3%)
Miscellaneous	7,009	5,464	1,545	28.3%
Sub Total Continuing Operations	1,689,503	1,796,099	(106,596)	(5.9%)
Gain/(loss) on disposal of tangible capital assets	(1,104)	149,677	(150,781)	(100.7%)
Total Revenue	**1,688,399**	**1,945,776**	**(257,377)**	**(13.2%)**

Total revenue was $257.4 million (13.2 per cent) unfavourable to budget mainly due to the earlier than anticipated sale of surplus property in 2016. Revenues from continuing operations were $106.6 million (5.9 per cent) unfavourable to budget mainly due to lower government transfers partly offset by favourable transit revenues.

Taxation

Year ended December 31 ($ thousands)	2017 ACTUAL	 BUDGET	COMPARISON TO BUDGET Fav/ (Unfav)	 %
Fuel tax	373,780	384,564	(10,784)	(2.8%)
Property tax	339,124	339,333	(209)	(0.1%)
Parking Rights tax	70,019	70,387	(368)	(0.5%)
Hydro levy	20,576	20,744	(168)	(0.8%)
Replacement tax	17,834	18,000	(166)	(0.9%)
Total Taxation	**821,333**	**833,028**	**(11,695)**	**(1.4%)**

Total taxation revenue for 2017 at $821.3 million was $11.7 million (1.4 per cent) unfavourable to budget.

Fuel tax revenues were $10.8 million (2.8 per cent) unfavourable to budget. Despite the strong economy in 2017, the anticipated increase in Vehicle Kilometres Travelled did not occur. Additionally, higher adjustments from suppliers contributed to lower than budgeted fuel tax revenues.

Transit

Year ended December 31 ($ thousands)	2017 ACTUAL	2017 BUDGET	COMPARISON TO BUDGET Fav/ (Unfav)	COMPARISON TO BUDGET %
Fares	456,660	434,006	22,654	5.2%
Program	112,058	104,554	7,504	7.2%
Total Fares	568,718	538,560	30,158	5.6%
Other transit	22,246	20,350	1,896	9.3%
Total Transit	**590,964**	**558,910**	**32,054**	**5.7%**

Total transit revenues were $32.1 million (5.7 per cent) favourable to budget as a result of record ridership and increased program participation, mainly in the Government Bus Pass Program.

Other transit revenue was $1.9 million (9.3 per cent) favourable to budget due to increased revenues from property rentals, advertising and TransLink's sale of carbon tax credits at $1.5 million.

Government Transfers

Government transfers were $115.0 million (40.8 per cent) unfavourable to budget mainly due to timing. There were large revenue vehicle replacement projects funded by Federal Gas Tax that were delayed to 2018 due to changes in vehicle propulsion systems that increased lead time of ordering and delivery, resulting in a corresponding deferral of government transfer revenues.

The Province of British Columbia provided funds in lieu of foregone bridge tolling.

Golden Ears Bridge Tolling

On September 1, 2017, the Province of British Columbia eliminated bridge tolling throughout the province, including tolls on the Golden Ears Bridge. Funds in lieu of tolling revenue have been reported as Government Transfers.

Investment Income

Investment income was $12.6 million (33.3 per cent) favourable to budget mainly due to interest on the loan receivable from the sale of surplus property in late 2016 as well as higher cash and investment holdings.

Miscellaneous Income

Miscellaneous income was $1.5 million (28.3 per cent) favourable to budget mainly due to higher recoveries from external parties, insurance proceeds and contributions earned from energy saving initiatives.

Gain (loss) on disposal of assets

Loss on disposal of assets was $150.8 million unfavourable to budget as a result of the earlier than anticipated sale of surplus properties that occurred in 2016, yet was budgeted to occur in 2017.

Consolidated Expenses – Comparison to 2016

(BY SEGMENT)

Year ended December 31	ACTUAL		COMPARISON TO 2016	
($ thousands)	2017	2016	Fav/ (Unfav)	%
Bus division	688,877	656,542	(32,335)	(4.9%)
Corporate operations	97,974	91,203	(6,771)	(7.4%)
Rail division	297,366	265,940	(31,426)	(11.8%)
Roads & Bridges	84,183	52,453	(31,730)	(60.5%)
Transit Police	37,179	33,759	(3,420)	(10.1%)
Amortization of tangible capital assets [1]	192,171	181,663	(10,508)	(5.8%)
Interest [1]	181,766	172,705	(9,061)	(5.2%)
Sub Total Continuing Operations	1,579,516	1,454,265	(125,251)	(8.6%)
Corporate One-time	12,640	29,684	17,044	57.4%
Total Expenses by Segment	**1,592,156**	**1,483,949**	**(108,207)**	**(7.3%)**

[1] Amortization and Interest shown separately to facilitate analysis

Bus Division operating expenses were $32.3 million (4.9 per cent) higher than 2016 mainly due to additional operating costs for service expansion delivered in 2017 as part of Phase One of the 10-Year Vision. These include impacts of labour, contractual and economic increases as well as higher vehicle maintenance costs, increases in fuel prices, vehicle insurance rates and utility prices for natural gas and electricity partly offset by savings in procurement costs related to Compass fare media.

Corporate Operations expenses increased by $6.8 million (7.4 per cent) over 2016 mainly due to higher contractual and economic labour increases, software licensing costs, business technology consulting fees and the write-down of Golden Ears Bridge tolling equipment due to the elimination of bridge tolls (September 1, 2017). These are partly offset by some contractual savings related to performance abatements and reduced property taxes from the earlier than planned sale of surplus property in late 2016.

Rail Division expenses were $31.4 million (11.8 per cent) higher than 2016 mainly due to additional operating costs for service expansion on Expo, Millennium and Canada Lines and the opening of the Evergreen Extension, as well as contractual, labour and economic increases. Snow and ice removal costs, maintenance costs, increase in insurance premiums and a WorkSafeBC assessment also contributed to the year over year increase.

Roads and Bridges expenses were $31.7 million (60.5 per cent) higher in 2017 mainly due to an increase of approximately $8 million in capital contributions to municipalities committed in the Phase One of the 10-Year Vision, as well as annual inflationary rate increases related to operations and maintenance funding for the Major Road Network of approximately $1.7 million. A recovery of a prior year expense in 2016 related to the financing of the Evergreen Extension reduced the overall expenses for that year.

Transit Police expenses were $3.4 million (10.1 per cent) higher than 2016 mainly due to contractual and economic labour increases, backfill expenses related to officers seconded to other jurisdictions and additional police equipment and software licensing costs. The expenses related to backfill of seconded police officers are offset by recoveries reported under miscellaneous revenues.

Amortization expense increased by $10.5 million (5.8 per cent) over 2016 as a result of a $121 million increase in depreciable tangible capital assets. Main asset additions in 2017 were bus replacements, community shuttle replacements, Joyce-Collingwood SkyTrain station upgrades, as well as other infrastructure and system upgrades. In addition, larger asset capitalizations in 2016 such as the Evergreen Extension and Hamilton Transit Centre were depreciated for a full year in 2017 (half year amortization in 2016).

Interest expense was $9.1 million (5.2 per cent) higher than the prior year due to higher outstanding debt and lower capitalization of interest due to timing of capital spending.

Corporate One-time expenses were lower by $17.0 million (57.4 per cent) compared to 2016. Largerone-time costs in 2016 relating to Compass and Evergreen were not required in 2017. Also included in 2016 were expenses for Rapid Transit work which now falls under capital.

Consolidated Expenses – Comparison to Budget

(BY SEGMENT)

Year ended December 31 ($ thousands)	2017 ACTUAL	2017 BUDGET [2]	COMPARISON TO BUDGET Fav/ (Unfav)	COMPARISON TO BUDGET %
Bus division	688,877	693,590	4,713	0.7%
Corporate operations	97,974	102,770	4,796	4.7%
Rail division	297,366	300,010	2,644	0.9%
Roads & Bridges	84,183	103,244	19,061	18.5%
Transit Police	37,179	36,921	(258)	(0.7%)
Amortization of tangible capital assets [1]	192,171	209,286	17,115	8.2%
Interest [1]	181,766	176,301	(5,465)	(3.1%)
Sub Total Continuing Operations	1,579,516	1,622,122	42,606	2.6%
Corporate One-time	12,640	15,377	2,737	17.8%
Total Expenses by Segment	**1,592,156**	**1,637,499**	**45,343**	**2.8%**

[1] Amortization and Interest shown separately to facilitate analysis

[2] Budget reallocated due to approved contingency

Bus Division operating expenses were $4.7 million (0.7 per cent) favourable to budget mainly due to lower employer-paid benefit costs, lower labour costs from vacancies and lower than budgeted consumption of fuel partly offset by an increase in fuel prices. These savings were partly offset by higher vehicle repair costs, overtime costs for vacancy coverage, snow removal costs, higher prices for natural gas and electricity, higher insurance premium rates and deductibles, higher consulting fees related to upgrading operating software and software licensing costs.

Corporate Operations operating expenses were $4.8 million (4.7 per cent) favourable to budget mainly due to reduced property taxes from the earlier than planned sale of surplus property in late 2016, vacancy savings, and contractual savings related to performance abatements. These were partly offset by the write-down of Golden Ears Bridge tolling equipment due to the elimination of bridge tolls (September 1, 2017), higher software licensing costs and more consulting fees related to upgrading operating software.

Rail Division operating expenses were $2.6 million (0.9 per cent) favourable to budget mainly due to lower employer-paid benefit costs, labour costs from vacancies, salary capitalization and the earlier than planned discontinuation of the WCE TrainBus service. Snow and ice removal costs early in 2017, additional maintenance costs, insurance premiums and a WorkSafeBC assessment partly offset the favourable variance in the year.

Roads and Bridges spending was $19.1 million (18.5 per cent) favourable to budget. $17 million is due to timing of capital infrastructure contributions to municipalities and there were lower bridge maintenance costs as a result of rehabilitation work on the Pattullo Bridge completed in 2016.

Transit Police operating expenditures were $258 thousand (0.7 per cent) unfavourable to budget mainly due to backfill expenses related to officers seconded to other jurisdictions, additional overtime costs due to service expansion, additional police equipment and software licensing costs, partly offset by lower property rental costs. The expenses related to backfill of seconded police officers are offset by recoveries reported under miscellaneous revenues.

Amortization expense was $17.1 million (8.2 per cent) favourable to budget mainly due to changes in the estimated useful lives of the Evergreen Extension and the Hamilton Transit Centre as compared to budget and timing of project capitalization.

Interest expense was $5.5 million (3.1 per cent) unfavourable to budget due to higher outstanding debt compared to budget and lower capitalization of interest due to timing of capital spending.

Corporate One-time costs were $2.7 million (17.8 per cent) favourable to budget mainly due to unused operating contingency budget and the timing project activity.

Consolidated Expenses by Category – Comparison to 2016

Year ended December 31	2017 Actual			2016 Actual			Ongoing Expenses	
($ thousands)	Ongoing	One-time [1]	Total	Ongoing	One-time [1]	Total	Fav/ (Unfav)	%
Administration	41,714	1,826	43,540	38,883	10,099	48,982	(2,831)	(7.3%)
Amortization of capital assets	192,171	-	192,171	181,663	-	181,663	(10,508)	(5.8%)
Capital infrastructure contributions	33,389	-	33,389	3,910	-	3,910	(29,479)	(753.9%)
Contracted services	219,116	-	219,116	211,790	-	211,790	(7,326)	(3.5%)
Fuel and power	65,520	-	65,520	56,764	-	56,764	(8,756)	(15.4%)
Insurance	23,825	-	23,825	21,181	-	21,181	(2,644)	(12.5%)
Interest	181,766	-	181,766	172,705	-	172,705	(9,061)	(5.2%)
Maintenance, materials and utilities	148,078	136	148,214	129,919	4,056	133,975	(18,159)	(14.0%)
Professional and legal	30,569	10,460	41,029	25,364	15,529	40,893	(5,205)	(20.5%)
Rentals, leases and property tax	24,339	-	24,339	24,694	-	24,694	355	1.4%
Salaries, wages and benefits	617,850	218	618,068	587,392	-	587,392	(30,458)	(5.2%)
Write-down of tangible capital assets	1,179	-	1,179	-	-	-	(1,179)	-
Total Expenses by Category	**1,579,516**	**12,640**	**1,592,156**	**1,454,265**	**29,684**	**1,483,949**	**(125,251)**	**(8.6%)**

On-Going Expenses

Administration costs increased $2.8 million (7.3 per cent) over 2016 mainly due to higher software licensing costs and a WorkSafeBC assessment, partly offset by savings in fare media due to the slowdown of new Compass card purchases after the initial rollout.

Amortization expense increased by $10.5 million (5.8 per cent) over 2016 mainly due to capital asset additions of revenue vehicle replacements, station upgrades, other infrastructure and system upgrades. In addition, larger asset capitalizations in 2016 like the Evergreen Extension and Hamilton Transit Centre were depreciated for a full year in 2017 compared to a half year amortization in 2016.

Capital infrastructure contributions increased by $29.5 million mainly due to an increase in capital contributions to municipalities committed in the Phase One of the 10-Year Vision. In addition, there was an adjustment of $22 million recorded in 2016 related to the financing of the Evergreen Extension that reduced the overall expenses for that year.

Contracted services increased $7.3 million (3.5 per cent) mainly due to bus service expansion resulting in higher operator labour costs, fuel prices, contractual costs as well as vehicle insurance and maintenance. There were also contractual increases related to the Canada Line concessionaire agreement, partly offset by contractual savings related to performance abatements.

Fuel and power costs were $8.8 million (15.4 per cent) higher than 2016 mainly due to service expansion and the opening of the Evergreen Extension. Higher fuel and electricity rates also contributed to the increase.

Insurance costs increased $2.6 million (12.5 per cent) over 2016 mainly due to higher insurance rates and deductibles paid in 2017, driven by an increase in the number of claims processed via TransLink's Transportation Property Casualty Company (TPCC).

Interest expense was $9.1 million (5.2 per cent) higher than 2016 due to higher outstanding debt and lower capitalization of interest due to timing of capital spending.

Maintenance, materials and utilities increased $18.2 million (14.0 per cent) over 2016 mainly due to higher costs associated with the opening of the Evergreen Extension and additional service expansion. The following items also contributed to the increase:

- Maintenance costs related to rail grinding, hybrid bus batteries and other fleet repairs;
- Higher utility prices and consumption; and
- Snow removal costs in the first part of 2017.

Professional and legal increased $5.2 million (20.5 per cent) compared to 2016 mainly due to environmental remediation costs related to Oakridge Transit Centre ("OTC") sold in 2016 as well as feasibility studies related to Enterprise Asset Management and Bus Daily Operations Management System (DOMS) Product Migration Planning.

Rentals, leases and property tax expenses decreased slightly by $355 thousand (1.4 per cent) due to reduced property taxes from the earlier than planned sale of surplus property in late 2016.

Salaries and wages increased $30.5 million (5.2 per cent) over 2016 mainly due increased staffing levels required for service expansion as well as contractual and economic labour increases.

Write-down of assets increased $1.2 million over 2016 due to the write-down of Golden Ears Bridge tolling equipment as a result of the elimination of bridge tolls (September 1, 2017).

Consolidated Expenses by Category – Comparison to Budget

Year ended December 31	2017 Actual			2017 Budget			Ongoing Expenses	
($ thousands)	Ongoing	One-time [1]	Total	Ongoing	One-time [1]	Total	Fav/ (Unfav)	%
Administration	41,714	1,826	43,540	40,835	50	40,885	(879)	(2.2%)
Amortization of capital assets	192,171	-	192,171	209,286	-	209,286	17,115	8.2%
Capital infrastructure contributions	33,389	-	33,389	50,402	-	50,402	17,013	33.8%
Contracted services	219,116	-	219,116	222,510	-	222,510	3,394	1.5%
Fuel and power	65,520	-	65,520	66,660	-	66,660	1,140	1.7%
Insurance	23,825	-	23,825	22,055	-	22,055	(1,770)	(8.0%)
Interest	181,766	-	181,766	176,301	-	176,301	(5,465)	(3.1%)
Maintenance, materials and utilities	148,078	136	148,214	143,586	-	143,586	(4,492)	(3.1%)
Professional and legal	30,569	10,460	41,029	30,155	10,567	40,722	(414)	(1.4%)
Rentals, leases and property tax	24,339	-	24,339	28,099	-	28,099	3,760	13.4%
Salaries, wages and benefits	617,850	218	618,068	632,233	4,760	636,993	14,383	2.3%
Write-down of tangible capital assets	1,179	-	1,179	-	-	-	(1,179)	-
Total Expenses by Category	**1,579,516**	**12,640**	**1,592,156**	**1,622,122**	**15,377**	**1,637,499**	**42,606**	**2.6%**

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

Administration costs were $879 thousand (2.2 per cent) unfavourable to budget mainly due to higher than expected software licensing costs and a WorkSafeBC assessment, partly offset by savings in promotional activities and Compass fare media.

Amortization expense was $17.1 million (8.2 per cent) favourable to budget mainly due to a difference in estimated useful lives of the Evergreen Extension and the Hamilton Transit Centre compared to budget and the timing of project capitalization.

Capital infrastructure contributions were favourable by $17.0 million (33.8 per cent) primarily due to timing of capital infrastructure contributions to municipalities.

Contracted services were $3.4 million (1.5 per cent) favourable to budget mainly due to the earlier than planned discontinuation of the WCE Train-Bus service. This is partly offset by increased costs associated with bus service expansion managed by contractors.

Fuel and power costs were $1.1 million (1.7 per cent) favourable to budget mainly due to lower volumes consumed compared to budgeted, partly offset by higher fuel prices.

Insurance was unfavourable to budget $1.8 million (8.0 per cent) mainly due to additional insurance premiums and increased claims to TransLink's TPCC.

Interest expense was unfavourable $5.5 million (3.1 per cent) due to higher outstanding debt compared to budget and lower capitalization of interest due to timing of capital spending.

Maintenance, materials and utilities expenses were $4.5 million (3.1 per cent) unfavourable to budget mainly due to higher maintenance costs related to higher consumption of shop supplies, major vehicle repairs including hybrid bus batteries and track maintenance. Higher utility prices and consumption as well as higher snow removal costs in the first part of 2017 contributed to the unfavourable variance.

Professional and legal fees were $414 thousand (1.4 per cent) unfavourable compared to budget mainly due to higher than expected consulting fees related to the system upgrades and pilot project on inventory dispensing machines, partly offset by savings from the timing of feasibility studies.

Rentals, leases and property tax were $3.8 million (13.4 per cent) favourable to budget mainly due to reduced property taxes from the earlier than planned sale of surplus property in late 2016 and change in use of office space.

Salaries and wages were $14.4 million (2.3 per cent) favourable to budget mainly due to lower employer-paid benefit costs and vacancy savings.

Write-down of assets of $1.2 million was not budgeted due to the unplanned write-down of Golden Ears Bridge tolling equipment as a result of the elimination of bridge tolls (September 1, 2017).

4. Capital Program

As of December 31, 2017, TransLink's total capital program budget was $3.8 billion, including:

- $1.6 billion in active capital projects;
- $131.3 million in Approved-In-Principle (AIP) capital projects;
- $1.1 billion in substantially complete capital projects; and
- $257.6 million in capital infrastructure contributions to municipalities.

The capital program budget is partly supported by $1.7 billion in committed funding available to TransLink from: the Federal Gas Tax Fund, the Building Canada Fund (BCF) and the Public Transit Infrastructure Fund (PTIF). External funding programs apply only to eligible projects within the capital program.

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

INVESTMENTS IN CAPITAL ASSETS:

Summary of Capital Program ($ thousands)	Number of Projects	Current Budget ($)	2017 YTD Spending ($)	Cumulative Spending to Date ($)	Final Forecast Cost ($)	Variance to Current Budget ($)	Variance to Current Budget (%)	Senior Government Funding (Committed) ($)
Capital Projects								
Active Capital Projects								
Equipment	17	49,266	1,898	4,618	49,051	215	0.4%	39,648
Facilities	13	46,254	6,675	8,823	44,380	1,874	4.1%	6,730
Infrastructure	41	514,518	91,700	198,694	517,801	(3,283)	(0.6%)	225,183
Major Construction	3	89,876	20,750	20,750	60,820	29,056	32.3%	49,980
Technology Applications	23	49,249	13,600	21,841	47,099	2,150	4.4%	9,796
Vehicle - Non Revenue	5	3,594	1,503	1,503	3,005	589	16.4%	
Vehicle - Revenue	19	861,185	105,982	185,883	854,808	6,377	0.7%	625,780
Subtotal Active Capital Projects	**121**	**1,613,942**	**242,108**	**442,112**	**1,576,964**	**36,978**	**2.3%**	**957,117**
2017 Capital Budget (AIP)*								
Equipment	4	12,310			12,310			8,163
Infrastructure	12	115,201			115,201			92,635
Technology Applications	6	3,671			3,671			
Vehicle - Non Revenue	1	148			148			
Subtotal Approved in Principle	**23**	**131,330**			**131,330**			**100,798**
*Includes submissions from current and prior year AIP programs								
Subtotal Active and AIP Projects	144	1,745,272	242,108	442,112	1,708,294	36,978	2.1%	1,057,915
Substantially Complete Projects	61	1,148,997	43,764	1,094,817	1,124,635	24,362	2.1%	411,090
Closed Projects	40	589,911	4,341	562,495	562,495	27,416	4.6%	226,331
Cancelled AIP Projects	(2)	8,000			8,000			
Total Capital Projects	**245**	**3,492,180**	**290,213**	**2,099,424**	**3,403,424**	**88,756**	**2.5%**	**1,695,336**
Capital Infrastructure Contributions								
Active Programs	16	251,064	27,596	193,284	246,531	4,533	1.8%	
AIP Program	1	6,500			6,500			
Total Capital Infrastructure Contributions	**17**	**257,564**	**27,596**	**193,284**	**253,031**	**4,533**	**1.8%**	
Capital Program Accruals and Adjustments *			(18,987)					
Capital Program Grand Total	**262**	**3,749,744**	**298,822**	**2,292,708**	**3,656,455**	**93,289**	**2.5%**	**1,695,336**

** Includes recoveries from government funding (BCF)*

Active Capital Projects

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

1. To support a safe and reliable transit system by maintaining assets in a state of good repair;
2. Mobilize Mayors' Vision, by allowing expansion to occur as soon as possible; and
3. Improve customer service experience and public support.

As of December 31, 2017, there were 121 active projects with expenditures of $242.1 million in 2017 and $442.1 million overall. A comparison of project budgets against forecasted final costs between the 121 active projects show a favourable forecasted variance of $37.0 million (2.3 per cent). The following projects account for $170.4 million (70.4 per cent) of 2017 expenditures:

- Mark III SkyTrain Vehicle Procurement;
- 2016 Conventional Bus Replacement;
- Metrotown, Joyce-Collingwood, Commercial-Broadway SkyTrain station upgrades; and
- Millennium Line Broadway Extension and South of Fraser Rapid Transit Procurement Readiness.

The Vehicle-Revenue category showing $106 million spent in 2017 included the Mark III SkyTrain Procurement and the 2016 Conventional Bus Replacement projects which accounted for $84.1 million. The purchase of the Mark III vehicles will address overcrowding and the growing demand on SkyTrain, as well as increase service reliability.

Infrastructure category of $91.7 million spent in 2017 included SkyTrain station upgrade projects at Metrotown and Joyce-Collingwood and the overhead walkway at Commercial-Broadway station which accounted for $46.7 million. These renovations will improve station circulation and system capacity and as a result improving customers' experience post completion. Also included in this category are the Surrey-Newton-Guildford LRT Line and the Millennium Line Broadway Extension procurement readiness projects.

Substantially Complete Capital Projects

There are 61 projects with a total budget of $1.1 billion deemed substantially complete. These projects are in the final stages of project activity with $29.8 million in forecasted costs remaining. The total expected favourable variance for these projects at completion is $24.4 million (2.1 per cent).

Significant substantially complete projects include:

Evergreen Extension: Major expansion of the rail network, constructed in partnership with the BC Transportation Financing Authority, has increased ridership and accessibility to the transit system in the Tri-Cities area. TransLink owns the extension east of the Inlet Centre station; while the Province owns the network west of and including the Inlet Centre station. The Province leases their portion of the Line back to TransLink for operational purposes. As of December 31, 2017, work remains to finalize the procurement of spare parts and track vehicles, which have long lead times.

Hamilton Transit Centre: The Hamilton Transit Centre has been designed and constructed to improve the operations and maintenance for buses. This includes installing the infrastructure to increase functionality for Compressed Natural Gas (CNG) buses.

In addition to the projects described above, this category also includes the Pattullo Bridge Rehabilitation project, the Expo Line propulsion power upgrade, Main Street and New Westminster SkyTrain station upgrades and a number of other equipment replacement projects. A large number of substantially complete projects relating to fleet replacement and expansion will remain open due to the extended warranty period on acquired components.

Approved in Principle (AIP) Capital Projects

As of December 31, 2017, there are 23 AIP projects that were not initiated during the year with a total budget of $131.3 million. Significant remaining AIP projects from 2017 include the SkyTrain Operations and Maintenance Centre upgrades and the Phibbs Exchange Upgrades. These projects have been carried forward for approval in 2018.

Closed Capital Projects

For the year ended December 31, 2017, 40 projects with a final cost of $562.5 million and an approved budget of $589.9 million were completed and closed. The projects closed during the 2017 year include: the 2009 and 2010 SkyTrain vehicle expansions, the construction of the Golden Ears Bridge, Compass Card and fare gate and several other small projects.

Cancelled Capital Projects

At the end of 2017, two AIP projects with budgets of $6.8 million (Decoupling of Power Systems) and $1.2 million (Customer Digital Services - Next Train Prediction and Service Alerts) were cancelled after review and prioritization of the 2017 capital program. It was determined that the work under these projects would be better aligned with other projects.

Capital Infrastructure Contributions

These expenditures consist of contributions to municipalities for the rehabilitation and upgrade of the Major Road Network and also pedestrian and bike pathways. TransLink does not own these underlying assets; therefore the costs are expensed in the year they are incurred. As of December 31, 2017, there were 16 active programs with $27.6 million in 2017 expenditures. The 2017 capital program also included an additional $6.5 million in funding that has been carried-over to 2018 for: regional road improvements, seismic upgrades, bicycle route upgrades and improvements around stations to improve both access and safety.

5. Changes in Financial Position

Financial Assets

As at December 31

($ thousands)	2017	2016	Change	%
Cash and cash equivalents	424,010	252,436	171,574	68.0%
Accounts receivable	120,852	133,736	(12,884)	(9.6%)
Loans receivable	310,197	325,313	(15,116)	(4.6%)
Restricted cash and investments	780,240	504,295	275,945	54.7%
Investments	60,951	80,917	(19,966)	(24.7%)
Debt reserve deposits	32,754	35,049	(2,295)	(6.5%)
Financial Assets	1,729,004	1,331,746	397,258	29.8%

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

The decrease in accounts receivable of $12.9 million (9.6 per cent) was mainly due to a reduction in toll revenue outstanding as at the end of the year.

The decrease in loan receivable of $15.1 million (4.6 per cent) was attributable to an installment payment received for the 2016 sale of the OTC, partly offset by interest earned on the total balance outstanding.

The increase in restricted cash and investments of $275.9 million (54.7 per cent) was mainly due to additional funding received during the year specifically for capital projects.

Restricted Cash and Investments

As at December 31

($ thousands)	2017	2016	Change	%
Government Transfers for Capital Project funding	408,962	192,464	216,498	112.5%
TPCC's Investments [1]	23,127	21,421	1,706	8.0%
Land Reserve [1]	138,888	128,016	10,872	8.5%
Sub-total	570,977	341,901	229,076	67.0%
Total Self Administered Sinking Funds	209,263	162,394	46,869	28.9%
Total	780,240	504,295	275,945	54.7%

[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 TransLink's TPCC. 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)	2017	2016	Change	%
Accounts payable and accrued liabilities	269,057	234,522	34,535	14.7%
Debt	2,462,731	2,347,266	115,465	4.9%
Deferred government transfer	1,149,696	941,046	208,650	22.2%
Golden Ears Bridge contractor liability	1,045,557	1,049,021	(3,464)	(0.3%)
Deferred concessionaire credits	525,785	549,059	(23,274)	(4.2%)
Employee future benefits	130,902	120,147	10,755	9.0%
Deferred revenue and deposits	46,412	35,519	10,893	30.7%
Deferred lease inducements	12,486	12,578	(92)	(0.7%)
Liabilities	5,642,626	5,289,158	353,468	6.7%

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

The net increase in deferred government transfers of $208.7 million (22.2 per cent) was due to funding of $333.9 million received during the year for capital projects, partly offset by $125.3 million of revenues recognized.

The Golden Ears Bridge contractor liability decreased $3.5 million (0.3 per cent) due to principal payments made during the year.

Deferred concessionaire credit represents 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 of 10.8 million (9.0 per cent) 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 $10.9 million (30.7 per cent) is mainly due to an increase in passenger purchases of fare products in advance of transit service provided of $5.6 million and Compass Card deposits of $4.1 million. Customers are required to pay a $6.00 refundable deposit in order to obtain a Compass Card.

Non-Financial Assets

As at December 31

($ thousands)	2017	2016	Change	%
Tangible capital assets	4,907,241	4,867,996	39,245	0.8%
Supplies inventory	65,293	61,831	3,462	5.6%
Prepaid expenses	21,403	11,657	9,746	83.6%
Non-Financial Assets	4,993,937	4,941,484	52,453	1.1%

At December 31, 2017, TransLink had tangible capital assets with a total net book value of $5.0 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 $2.3 billion.

Capital Asset Additions

For the year ended December 31, 2017 tangible capital assets increased by a net amount of $39.2 million which represents $234.6 million additions to capital assets less the following:

- $192.2 million of amortization;
- $2.0 million in disposals; and
- $1.2 million in a write-down of the Golden Ears Bridge tolling equipment.

The additions of $234.6 million during the year were primarily made up of the following items:

Additions to bridge, tunnels and guideways of $0.6 million related to:

- $0.4 million for Evergreen Extension new stations and guideway; and
- $0.2 million for Golden Ears Bridge guideway improvements.

Additions to other supporting systems of $21.4 million primarily related to:

- $12.0 million for SkyTrain station and fare gate upgrades;
- $3.0 million related to Evergreen Extension additional facilities and other improvements; and
- $1.6 million for Golden Ears Bridge facilities.

Additions to vehicles of $66.4 million primarily related to:

- $45.1 million for replacement of the conventional bus fleet, including 25 40’ diesel and 26 60’ hybrid buses;
- $10.5 million for Mark I SkyTrain cars refurbishment; and
- $9.9 million for the replacement of 64 community shuttles.

Additions to land and buildings of $8.3 million primarily related to:

- $4.1 million for the construction of a new SeaBus terminal; and
- $3.0 million for the acquisition of land to support development of the South of Fraser Rapid Transit project.

Additions to equipment of $27.6 million primarily related to:

- $8.3 million for Capital leases for IT infrastructure to renew leases and replace aging IT hardware;
- $3.3 million for Expo Line Supervisory Control and Data Acquisition Roof Top Unit replacement;
- $2.5 million for Compass Smart Card and fare gate;
- $2.1 million for additional capital spare parts purchased by the Rail division; and
- $1.5 million for 29th Avenue bus exchange layover improvement.

Net reductions to work in progress of $110.3 million primarily related to:

Capital additions to work in progress amounted to $283.4 million for the year offset by $173.2 million in transfers of completed projects into their respective asset classes. The main activity for the year related to SkyTrain vehicle purchases, conventional bus replacement and major SkyTrain station upgrades. The impact of these projects is as follows:

- Mark III Vehicle Procurement of $35.8 million;
- Conventional Bus replacement – addition of $47.5 million offset by capitalization of $45.1 million; and
- Metrotown and Joyce-Collingwood station upgrades – addition of $35.2 million offset by capitalization of $25.3 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)	2017	2016	Change	%
Cash and cash equivalents	424,010	252,436	171,574	68.0%
Investments	60,951	80,917	(19,966)	(24.7%)
Total	484,961	333,353	151,608	45.5%

The $151.6 million (45.5 per cent) 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 (2016 - $240 million).

<u>Financing</u>

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)	2017		2016		Change	%
Debt	2,462,731		2,347,266		115,465	4.9%
Less: Self-administered sinking funds	(209,263)		(162,394)		(46,869)	(28.9%)
Less: Debt reserve deposits	(32,754)		(35,049)		2,295	6.5%
Net Direct Debt	2,220,714	58.6%	2,149,823	57.4%	70,891	3.3%
Golden Ears Bridge contractor liability	1,045,557		1,049,021		(3,464)	(0.3%)
Deferred concessionaire credit	525,785		549,059		(23,274)	(4.2%)
Indirect P3 Debt	1,571,342	41.4%	1,598,080	42.6%	(26,738)	(1.7%)
Subtotal Net Direct Debt and Indirect P3 Debt	3,792,056	**100.0%**	3,747,903	**100.0%**	44,153	1.2%

Debt, which primarily finances capital spending, increased by $115.5 million (4.9 per cent). This was the result of an additional $200 million of gross bond issuance, offset by debt repayments.

Indirect P3 Debt decreased by $26.7 million (1.7 per cent) through the principal repayment of $3.5 million of the Golden Ears Bridge contractor liability and the $23.3 million amortization of the Canada Line deferred concessionaire credits.

Overall, the total debt financing increased by $44.2 million (1.2 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, 2017

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 SCBCTA 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 limits need to be approved by the Mayors' Council (after consultation with Metro Vancouver) through an investment plan. As at December 31, 2017, TransLink's outstanding debt obligation, as defined above, was $3.09 billion[1] (2016 - $3.02 billion).

[1] Debt of $2.46 billion plus MFA administered sinking funds of $0.65 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, toll replacement funding and program passes) and the Federal Government (GST rebate). For these balances, collectability risk is not significant. The bulk of the remaining accounts are associated with Golden Ears Bridge tolls and individuals owing fare infraction fines:

- For Golden Ears Bridge tolls, ICBC helps to issue a Refuse-to-Issue (RTI) against overdue account holders. An RTI prevents vehicle owners from reinsuring vehicles and renewing their driver's licence until they pay off the balance of their overdue account. With the elimination of toll charges effective September 1, 2017, customers are still required to pay the tolls for any crossings that occurred before September 1, 2017.
- For fare infraction fines, TransLink works either with ICBC to impose a RTI against individuals with a valid B.C. driver's licence 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 loan receivable is due from Intergulf-Modern Green Development Corp., the Purchaser of the OTC. The remaining payments are due over approximately the next 5 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 a $500 million commercial paper program. The commercial paper program is a short-term borrowing facility where TransLink can issue promissory notes with terms to maturity generally ranging from 35 to 91-days. TransLink has a dealer group of six Canadian banks that can buy these promissory notes (more commonly known as commercial paper) and on-sell them to investors. An integral part of this commercial paper program is a standby credit facility of $500 million committed out to March 2021 which acts as a liquidity backstop in the event that some or TransLink's entire dealer group declines to buy its promissory notes.

In addition, TransLink's 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 currently 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 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, 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 six bargaining units including Unifor Locals 111 & 2200, the Canadian Union of Public Employees (CUPE) Locals 4500 and 7000, the Canadian Office and Professional Employees Union (MoveUP/COPE) Local 387 and Transit Police Professional Association (TPPA).

With exception of the Transit Police and TPPA, three year agreements have been successfully negotiated between TransLink, CMBC, BCRTC and their respective unions. Four of the agreements expire on March 31, 2019 and one agreement expires on Dec 31, 2018. The collective bargaining between Transit Police and TPPA is continuing.

As collective agreements are in place with five unions, there is no risk of a labour dispute until after the collective agreements expire. Notice to bargain usually occurs four months before the expiration of the collective agreement therefore negotiations will likely commence in early 2019. If the Transit Police and TPPA are unable to reach an agreement via negotiations, the matter will be referred to a third party arbitrator for final resolution.

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 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 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. These processes are supported by the infrastructure and technology project management offices (PMO) from a governance and quality management perspective.

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 as part of the 10-Year Investment Plan. Specific project approval recommendations are provided by the Capital Management Committee which includes Vice-Presidents from the Corporate Leadership team, including the operating companies. Projects that have moderate to higher risk profiles or are not part of the annual capital program require additional approval from the Executive Capital Oversight Group consisting of the Chief Executive Officer, Chief Financial Officer, the President of BCRTC and the President of CMBC or the Board of Directors.

Project delivery is monitored and reported on a monthly basis to TransLink executives with a focus on budget, scope, schedule, risks and issues. Each project has a project steering committee that includes the project initiator, a project sponsor, a member of the appropriate PMO and additional stakeholder representation as required. During project delivery, procurement risk is reduced through appropriate market review and due diligence, tendering of projects and the use of warranties and delay penalties.

Appendix 1 – Audited Consolidated Financial Statements

The 2017 Audited Consolidated Financial Statements are attached at the end of the report.

5 YEAR CONSOLIDATED REVENUES

Year ended December 31 ($ millions)	2013	2014	2015	2016	2017	Compound Annual Growth Rate (CAGR) 2013-2017
Taxation	741.3	744.2	772.7	825.7	821.3	2.6%
Transit	495.6	495.6	511.4	541.6	591.0	4.5%
Government transfers *	84.6	90.3	228.9	240.5	166.9	18.5%
Golden Ears Bridge tollings	39.4	41.6	48.4	52.1	29.7	(6.8%)
Investment income	34.2	34.7	34.4	40.6	50.3	10.1%
Amortization of deferred concessionaire credit	23.3	23.3	23.3	23.3	23.3	0.0%
Miscellaneous	5.8	5.6	6.1	6.4	7.0	4.8%
Sub Total Continuing Operations	1,424.2	1,435.3	1,625.4	1,730.2	1,689.5	4.4%
AirCare	19.6	12.0	-	-	-	(100.0%)
Gain/loss on disposal of tangible capital assets	(0.2)	6.4	2.3	422.2	(1.1)	53.1%
Total Revenue	1,443.6	1,453.8	1,627.7	2,152.3	1,688.4	**4.0%**

***** 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. With the elimination of tolls effective September 1, 2017, tolling revenue will be replaced by a provincial government transfer classified as Golden Ears Bridge Tolling Replacement revenue.

Total revenues have grown at a Compounded Annual Growth Rate (CAGR) of 4.0 percent since 2013 while revenue from Continuing Operations grew at an annual CAGR of 4.4 percent.

Taxation and transit revenues have grown in-line with population growth, inflationary growth and a strong economy. The largest service increase since 2009 and investment in assets and technology also contributed to growth in transit revenues.

Transfers from Governments have had a CAGR of 18.5 per cent since 2013, due to the change in revenue recognition relating to a Federal Gas Tax agreement in 2015 that does not include a stipulated holding period. This has decreased slightly in 2017 as a result of timing of capital spending.

Investment income has grown at 10.1 per cent CAGR over the five year period due to growing investment balances which include the sinking funds and the receivable related to the sale of surplus property.

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 growth with a CAGR of 4.8 per cent.

5 YEAR CONSOLIDATED EXPENSES (BY SEGMENT)

Year ended December 31 ($ millions)	2013	2014	2015	2016	2017	Compound Annual Growth Rate (CAGR) 2013-2017
Bus division	618.8	633.2	643.5	656.5	688.9	2.7%
Corporate operations	61.9	67.2	80.9	91.2	98.0	12.2%
Rail division	240.6	255.6	268.3	265.9	297.4	5.4%
Roads & Bridges	93.5	83.6	71.2	52.5	84.2	(2.6%)
Transit Police	30.6	34.3	33.1	33.8	37.2	5.0%
Amortization of tangible capital assets *	166.8	161.5	168.3	181.7	192.2	3.6%
Interest *	172.9	171.1	167.9	172.7	181.8	1.3%
Sub Total Continuing Operations	1,385.1	1,406.5	1,433.2	1,454.3	1,579.5	3.3%
AirCare	16.2	15.8	-	-	-	(100.0%)
Corporate and Roads & Bridges One-time	5.5	4.6	32.1	29.7	12.6	23.0%
Total Expenses by Segment	1,406.8	1,426.9	1,465.3	1,484.0	1,592.1	3.1%

*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 3.1 per cent since 2013. Excluding One-time costs, the CAGR is 3.3 per cent. Corporate operations costs have increased mainly due to higher credit card fees, contracted services and software licensing costs. One-time costs have increased by a CAGR of 23.0 per cent, mainly due to Compass delivery, South of Fraser LRT and Millennium Line Broadway Extension studies, Evergreen Extension integration and non-capitalized Pattullo Bridge design costs.

5 YEAR CONSOLIDATED EXPENSES (BY CATEGORY)

Year ended December 31 ($ millions)	2013	2014	2015	2016	2017	Compound Annual Growth Rate (CAGR) 2013-2017
Administration	24.3	27.6	32.8	38.9	41.7	14.5%
Amortization of capital assets	166.8	161.5	168.3	181.8	192.2	3.6%
Capital infrastructure contributions	52.4	44.0	30.7	3.9	33.4	(10.6%)
Contracted services	189.2	197.8	203.5	211.7	219.1	3.7%
Fuel and power	68.8	70.2	62.9	56.8	65.5	(1.2%)
Insurance	17.5	18.7	20.6	21.2	23.8	8.0%
Interest	172.9	171.1	167.9	172.7	181.8	1.3%
Maintenance, materials and utilities	102.2	113.1	121.6	129.9	148.1	9.7%
Professional and legal	13.8	12.1	16.2	25.4	30.6	22.0%
Rentals, leases and property tax	45.7	40.0	40.9	24.7	24.3	(14.6%)
Salaries, wages and benefits	529.7	550.4	567.2	587.3	617.8	3.9%
Provision for asset valuation	1.9	0.0	0.6	0.0	1.2	(10.9%)
Sub Total Continuing Operations	1,385.1	1,406.5	1,433.2	1,454.3	1,579.5	3.3%
AirCare	16.2	15.8	0.0	0.0	0.0	(100.0%)
Corporate and Roads & Bridges One-time	5.5	4.6	32.1	29.7	12.6	23.0%
Total Expenses by Category	1,406.8	1,426.9	1,465.3	1,484.0	1,592.1	3.1%

Appendix 3 – Operating Indicators

Operating Indicators

Year ended December 31	2013	2014	2015	2016	2017	Compound Annual Growth Rate (CAGR) 2013-2017 [10]
Service Performance Item						
Safety: Customer Injuries (per 1 million boarded passengers) [1]						
- CMBC	4.2	4.4	5.0	5.6	4.7	2.9%
- Expo & Millennium Lines	1.2	1.3	1.3	1.1	1.3	2.0%
- West Coast Express	1.5	0.4	0.8	0.4	1.3	(3.5%)
- HandyDART (per 100,000 boarded passengers)	2.4	1.8	2.9	2.2	2.3	(1.1%)
Safety: Employee Lost Time Frequency						
- CMBC (per 200,000 hours worked) [2]	8.5	8.8	7.1	8.6	8.7	0.6%
- Expo & Millennium Lines (per 200,000 hours worked)	3.6	3.5	3.6	3.9	4.1	3.3%
- West Coast Express (per 200,000 hours worked)	-	-	-	-	8.6	-
- HandyDART (per 200,000 hours worked)	-	18.2	14.0	18.3	15.8	(3.5%)
Safety: CMBC Operator Assaults (per 1 million service hours) [3]	28.8	25.5	23.5	22.3	20.3	(8.4%)
Ridership: Boarded Passengers (thousands)						
- CMBC	233,733	235,113	241,707	244,992	253,150	2.0%
- Expo & Millennium Lines	77,019	77,482	77,593	93,850	105,117	8.1%
- Canada Line	40,198	40,245	40,972	43,526	46,253	3.6%
- West Coast Express	2,750	2,625	2,649	2,459	2,323	(4.1%)
- HandyDART	1,460	1,464	1,340	1,366	1,395	(1.1%)
Ridership: Revenue Passengers (thousands)						
- Overall System	233,888	234,625	238,795	n/a	n/a	-
Ridership: Journeys (thousands)						
- Overall System	n/a	n/a	n/a	234,205	247,821	-
Vehicle Service Delivery: Percentage of Service Hours Delivered						
- CMBC	99.6%	99.6%	99.7%	99.6%	99.6%	-
- Expo & Millennium Lines	99.4%	99.5%	99.5%	99.6%	99.6%	0.1%
- Canada Line	100.0%	100.0%	100.0%	100.0%	100.0%	-
- West Coast Express	99.9%	99.8%	99.6%	99.7%	98.0%	(0.5%)
- HandyDART (% of requested trips delivered)	96.5%	98.0%	99.6%	99.4%	99.3%	0.7%
Vehicle Punctuality: On-Time Performance						
- CMBC (3 minutes late < On-Time < 1 minute early)	77.7%	78.7%	78.8%	77.6%	78.3%	(0.1%)
- Expo & Millennium Lines (headway + 3 minutes)	94.9%	94.1%	95.9%	95.1%	95.3%	0.1%
- West Coast Express (headway + 5 minutes)	98.0%	97.7%	95.6%	95.3%	97.2%	(0.2%)
- HandyDART (earlier than and within 15 minutes of Scheduled Pick-Up Time)	n/a	89.2%	89.5%	88.5%	88.0%	(0.3%)
Vehicle Reliability: Mean Distance Between Failure						
- CMBC [4]	16,751	14,846	15,486	16,745	18,441	2.4%
- Expo & Millennium Lines	664,853	550,329	437,320	360,406	372,854	(13.5%)
- West Coast Express	274,902	229,169	195,635	229,190	687,196	25.7%
HandyDart Vehicle Productivity						
- Trips per service hour (excludes taxis)	2.0	2.0	2.0	2.0	1.9	(1.3%)
- Trip Denials	42,418	16,869	1,613	3,558	1,362	(57.7%)

Operating Indicators continued

Year ended December 31	2013	2014	2015	2016	2017	Compound Annual Growth Rate (CAGR) 2013-2017 [10]
Environmental						
- CMBC (Spills per 1 Million Km) [3]	12.7	9.8	9.0	7.2	7.5	(12.3%)
- CMBC (Revenue Vehicle Energy Consumption in Gigajoules) [5]	1,737,362	1,828,144	1,838,967	1,843,990	1,899,303	2.3%
Customer Service: Customer Satisfaction (overall score of 10)						
- Overall System [6]	7.6	7.6	7.5	7.6	7.7	0.3%
- CMBC	7.7	7.8	7.7	7.9	7.9	0.6%
- Expo & Millennium Lines	8.1	7.9	8.0	8.1	8.2	0.3%
- Canada Line	8.6	8.7	8.6	8.5	8.6	-
- West Coast Express	8.5	8.5	8.1	8.6	8.4	(0.3%)
- HandyDART	8.1	8.2	8.5	8.5	8.3	0.6%
Customer Service: Customer Complaints						
- Overall System (per 1 million boarded passengers) [6,7]	103.6	96.0	95.3	98.7	93.4	(2.6%)
- CMBC (per 1 million boarded passengers) [7]	124.5	116.2	112.7	119.8	108.2	(3.4%)
- Expo & Millennium Lines (per 1 million boarded passengers)	35.8	41.5	34.7	30.5	34.4	(1.0%)
- Canada Line (per 1 million boarded passengers)	10.6	8.1	8.3	15.7	19.7	16.8%
- West Coast Express (per 1 million boarded passengers)	217.8	197.7	335.2	315.9	102.9	(17.1%)
- HandyDART (per 100,000 boarded passengers)	104.5	108.0	99.7	107.7	120.2	3.6%
Financial: Operating Costs						
- Overall System (operating cost per capacity km) [8]	0.079	0.082	0.084	0.086	0.084	1.4%
- CMBC (operating cost per capacity km)	0.117	0.119	0.119	0.123	0.126	1.9%
- Expo & Millennium Lines (operating cost per capacity km)	0.024	0.026	0.029	0.031	0.031	7.3%
- Canada Line (operating cost per capacity km)	0.100	0.103	0.105	0.106	0.105	1.2%
- West Coast Express (operating cost per capacity km)	0.087	0.097	0.099	0.089	0.092	1.4%
- HandyDART (operating cost per trip)	39.91	40.30	40.64	40.95	42.73	1.7%
Financial: Operating Cost Recovery						
- TransLink (conventional system) [9,10]	56.1%	53.7%	53.6%	54.7%	55.8%	(0.1%)

[1] *The customer injury definition for CMBC and HandyDART represents the number of accepted injury claims arising from on-board incidents inside of the vehicle, while boarding, or as a result of a collision. The customer injury definition for Expo and Millennium Line and West Coast Express represents the number of injuries where the customer is transported to hospital for treatment and the incident is reported to transit staff. Restated 2013 - 2016 for CMBC and HandyDART to align with current definition*

[2] *Restated 2013 and 2014 to reflect year end adjustments*

[3] *Restated 2013 - 2016 to exclude West Vancouver Community Shuttle and Contracted Services*

[4] *Restated to align with industry definition of major technical failure*

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

[6] *Excludes HandyDART*

[7] *Restated 2015 to reflect year end adjustments*

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

[9] *Excludes corporate one-time costs. Restated 2016 to reflect year end adjustments*

[10] *Calculations based on whole numbers*

Appendix 4 – Allocated Costs between Divisions

Year ended December 31 ($ thousands)	2013	2014	2015	2016[3]	2017
Shared Services [1]					
Bus division	21,229	23,779	23,440	25,526	27,240
Access Transit	-	-	972	683	744
SkyTrain - Expo & Millennium Line	731	837	1,108	1,052	2,330
West Coast Express	69	47	70	66	84
Transit Police	1,453	1,525	1,679	1,550	1,883
Total Shared Services allocated	23,482	26,188	27,269	28,877	32,281
Costs Administered by TransLink and allocated to subsidiaries [2]					
Bus division	14,490	15,135	16,411	18,675	16,530
SkyTrain - Expo & Millennium Line	3,418	3,581	4,770	4,840	5,177
SkyTrain - Canada Line	395	2,009	2,215	2,451	2,107
West Coast Express	13,537	14,616	15,725	578	892
Transit Police	1,097	1,639	1,793	1,760	1,831
Costs Administered by TransLink allocated	32,937	36,980	40,914	28,304	26,537
Bus Division	35,719	38,913	39,851	44,201	43,770
Access Transit	-	-	972	683	744
SkyTrain - Expo & Millennium Line	4,149	4,418	5,878	5,892	7,507
SkyTrain - Canada Line	395	2,009	2,215	2,451	2,107
West Coast Express	13,606	14,662	15,794	644	976
Transit Police	2,550	3,164	3,472	3,310	3,714
Total costs allocated to Subsidiaries from TransLink	56,419	63,166	68,182	57,181	58,818

[1] Includes Business Technology, Human Resources & Administration costs

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

[3] Restated 2016 figures for year-over-year comparison purposes due to calculation methodology change applied in 2017 (no restatements made for 2015 and prior years)

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.

Consolidated Financial Statements
(Expressed in thousands of dollars)

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Year ended December 31, 2017

KPMG

KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of the South Coast British Columbia Transportation Authority

We have audited the accompanying consolidated financial statements of the South Coast British Columbia Transportation Authority, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the South Coast British Columbia Transportation Authority as at December 31, 2017 and its consolidated results of operations, consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

Burnaby, Canada
March 29, 2018

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2017, with comparative information for 2016

	2017	2016
Financial assets		
Cash and cash equivalents	$ 424,010	$ 252,436
Accounts receivable (note 7(i))	120,852	133,736
Loan receivable (note 3)	310,197	325,313
Restricted cash and cash equivalents and investments (note 4(a))	780,240	504,295
Investments (note 4(b))	60,951	80,917
Debt reserve deposits (note 5)	32,754	35,049
	1,729,004	1,331,746
Liabilities		
Accounts payable and accrued liabilities (note 7(i))	269,057	234,522
Debt (note 6)	2,462,731	2,347,266
Deferred government transfers (note 7(a))	1,149,696	941,046
Golden Ears Bridge contractor liability (note 8(a))	1,045,557	1,049,021
Deferred concessionaire credit (note 9(a))	525,785	549,059
Employee future benefits (note 10(b))	130,902	120,147
Deferred revenue and deposits	46,412	35,519
Deferred lease inducements	12,486	12,578
	5,642,626	5,289,158
Net debt	(3,913,622)	(3,957,412)
Non-financial assets		
Tangible capital assets (note 11)	4,907,241	4,867,996
Supplies inventory	65,293	61,831
Prepaid expenses	21,403	11,657
	4,993,937	4,941,484
Commitments and contingencies (note 12)		
Subsequent event (note 17)		
Accumulated surplus	$ 1,080,315	$ 984,072

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Original signed by Lorraine Cunningham
Chair

Original signed by Tony Gugliotta
Director

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget (note 2(s))	2017 Actual	2016 Actual
Revenue:			
Taxation (note 15)	$ 833,028	$ 821,333	$ 825,670
Transit (note 7(j))	558,910	590,964	541,589
Golden Ears Bridge tolling (note 7(h))	55,744	29,743	52,116
Government transfers (note 7(a))	281,904	166,902	240,533
Amortization of deferred concessionaire credit (note 9(a))	23,337	23,274	23,337
Investment income	37,712	50,278	40,567
Miscellaneous revenue	5,464	7,009	6,351
Gain (loss) on disposal of tangible capital assets	149,677	(1,104)	422,183
	1,945,776	1,688,399	2,152,346
Expenses:			
Bus division	838,110	826,089	789,843
Corporate	150,100	136,460	144,870
Rail division	412,924	407,761	363,537
Roads and bridges	199,059	184,351	151,711
Transit Police	37,306	37,495	33,988
	1,637,499	1,592,156	1,483,949
Surplus for the year	308,277	96,243	668,397
Accumulated surplus, beginning of year	504,775	984,072	315,675
Accumulated surplus, end of year	$ 813,052	$ 1,080,315	$ 984,072

See accompanying notes to consolidated financial statements.

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Changes in Net Debt
(Expressed in thousands of dollars)

Year ended December 31, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
	(note 2(s))		
Surplus for the year	$ 308,277	$ 96,243	$ 668,397
Acquisition of tangible capital assets	(578,144)	(234,568)	(453,777)
Amortization of tangible capital assets	209,286	192,171	181,663
Loss (gain) on disposal of tangible capital assets	(149,677)	1,104	(422,183)
Net proceeds from disposal of tangible capital assets	151,283	869	432,924
Write-down of tangible capital assets	-	1,179	-
	(367,252)	(39,245)	(261,373)
Change in supplies inventory	(1,744)	(3,462)	(5,389)
Change in prepaid expenses	(363)	(9,746)	62
	(2,107)	(13,208)	(5,327)
Decrease (increase) in net debt	(61,082)	43,790	401,697
Net debt, beginning of year	(4,471,761)	(3,957,412)	(4,359,109)
Net debt, end of year	$ (4,532,843)	$ (3,913,622)	$ (3,957,412)

See accompanying notes to consolidated financial statements.

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used for):		
Operating transactions:		
Surplus for the year	$ 96,243	$ 668,397
Non-cash changes to operations (note 13)	45,951	(483,515)
Changes in non-cash operating working capital (note 13)	70,975	(338,298)
Cash provided by (used for) operating transactions	213,169	(153,416)
Capital transactions:		
Purchase of tangible capital assets	(226,907)	(421,886)
Net proceeds from disposal of tangible capital assets	869	432,924
Cash provided by (used for) capital transactions	(226,038)	11,038
Investing transactions:		
Increase in restricted cash and investments	(275,945)	(3,286)
Decrease (increase) in investments	19,966	(19,974)
Decrease in debt reserve deposits	2,295	1,358
Cash used for investing transactions	(253,684)	(21,902)
Financing transactions:		
Debt proceeds	200,000	270,000
Premium (issue costs) on financing	(1,469)	24,021
Repayments of debt	(90,880)	(93,256)
Repayments of Golden Ears Bridge contractor liability	(3,464)	(1,892)
Government transfers received for tangible capital additions	333,940	6,925
Cash provided by financing transactions	438,127	205,798
Increase in cash and cash equivalents	171,574	41,518
Cash and cash equivalents, beginning of year	252,436	210,918
Cash and cash equivalents, end of year	$ 424,010	$ 252,436
Supplementary information:		
Interest paid	$ 182,955	$ 179,682
Tangible capital assets acquired by capital lease	7,661	1,630
Contributed tangible capital asset received	-	30,261

See accompanying notes to consolidated financial statements.

1. Operations:

The South Coast British Columbia Transportation Authority, formerly the Greater Vancouver Transportation Authority, (the “Authority” or “TransLink”) was established in June 1998 as a regional public transportation authority under the South Coast British Columbia Transportation Authority Act (the “Act”) to provide for the planning, funding, management and operation of an integrated regional transportation system for the Greater Vancouver region.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements of the Authority have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

(b) Basis of consolidation:

The consolidated financial statements include the accounts of the Authority and its active wholly owned subsidiaries as follows:

(i) Coast Mountain Bus Company Ltd. (“CMBC”) – bus, SeaBus and community shuttle services;

(ii) British Columbia Rapid Transit Company Ltd. (“BCRTC”) – SkyTrain services on the Expo, Millennium and Canada Lines;

(iii) West Coast Express Limited (“WCE”) – commuter rail services;

(iv) Transportation Property and Casualty Company Inc. (“TPCC”) – a captive insurance company which provides insurance liability coverage to the Authority’s operating subsidiaries; and

(v) TransLink Security Management Ltd. (“TSML”) – transit police services transferred from the TransLink entity to TSML effective March 4, 2013.

All intercompany balances and transactions have been eliminated upon consolidation.

(c) Basis of accounting:

TransLink follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay. Interest expense is accrued as the obligation is incurred.

2. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(e) Financial instruments:

Financial instruments are classified into two categories: fair value or cost.

(i) Fair value:

Investments and derivatives that are quoted in an active market and loans receivable are reflected at fair value as at the reporting date. The Authority does not hold any investments or derivatives that are quoted in an active market. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statement of Operations and related balances are reversed from the Statement of Remeasurement Gains and Losses. As at December 31, 2017, the Authority does not have any unrealized gains or losses and a Statement of Remeasurement Gains and Losses has not been included in these financial statements.

(ii) Cost:

All other financial instruments are recorded at cost. Gains and losses on financial instruments recorded at cost are recognized in the Statement of Operations when the financial asset is recognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

Accounts receivable and accounts payable and accrued liabilities are measured at cost using the effective interest rate method. Any gains, losses or interest expense is recorded in the annual surplus depending on the nature of the financial liability that gave rise to the gain, loss or expense. Valuation allowances are made when collection is in doubt.

(f) Supplies inventory:

Supplies inventory is valued at the lower of average cost and net realizable value. Cost includes purchase price, import duties, other net taxes, and transport, handling and other costs directly attributable to acquisition. Net realizable value is the estimated current replacement cost.

2. Significant accounting policies (continued):

(g) Tangible capital assets:

Tangible capital assets have been recorded as follows:

(i) Tangible capital assets are recorded at cost, including capitalized interest as described in note 2(h). Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, including the purchase price and other acquisition costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation, insurance costs and duties.

(ii) As part of the establishment of the Authority, certain tangible capital assets contributed by the Province of British Columbia (the "Province") and BC Transit were recorded at the estimated fair value at the date of acquisition based on appraisals carried out.

(iii) Amortization is provided on the cost less estimated salvage value on a straight-line basis over a period not exceeding the estimated useful lives as follows:

Asset	Years
Land improvements	30
Buildings	30 - 50
Bridges, guideways, stations and tunnels	30 -100
Other supporting systems (tracks, rail, roads, electrical, drainage, ventilation, tolling)	8 - 40
Vehicles and SeaBus	5 - 40
Equipment	5 - 40

(h) Capitalization of interest:

Interest costs directly attributable to construction projects and major capital acquisitions are capitalized from the commencement of the capital outlays until the assets are placed into service.

(i) Major Road Network ("MRN") expenditures:

Part 2 of the Act provides that the Authority must establish a MRN, comprising an integrated system of highways throughout the transportation service region, and the Authority must contribute funds to the municipalities for the purpose of constructing and maintaining any part of the MRN within that municipality if certain conditions are met.

Funding related to constructing the MRN is expensed under the heading "capital infrastructure contributions" as the related assets are the property of the appropriate municipalities who assume all the rights and obligations.

Funding related to operating and maintaining the MRN are expensed under the heading "maintenance, materials and utilities".

2. Significant accounting policies (continued):

(i) Major Road network ("MRN") expenditures (continued):

For the MRN and Bike ("MRNB") programs, the amount of allocated funding contribution to each municipality for construction is determined by the proportion of a municipality's regional population and employment growth, consistent with the Metro Vancouver Growth Strategy. For the Operations, Maintenance and Rehabilitation funding of the MRN, the amount of annual Operation and Maintenance ("O&M") contribution and the annual Pavement Rehabilitation ("R") contribution to each municipality are determined by the corresponding set funding rate per lane kilometer of the MRN.

(j) Pension plans and employee future benefits:

(i) Pension plan:

The Authority, its subsidiaries and employees make contributions to the Public Service Pension Plan ("PSPP"). These contributions to the PSPP are expensed as incurred.

(ii) Employee future benefits:

Post-retirement and post-employment benefits are available to the majority of the Authority's employees. The cost of post-retirement benefits is actuarially determined, prorated on service and management's best estimate of retirement ages and expected health care costs. The cost of post-employment benefits to disabled employees is actuarially determined based on future projected benefits of currently disabled employees. The obligations under these post-retirement and post-employment benefit plans are accrued as the employees render services necessary to earn the future benefits. The measurement date of the accrued benefit obligation coincides with the Authority's fiscal year. The most recent actuarial valuation of the plans was December 31, 2017. The plans are unfunded and require no contributions from employees. Employer contributions are based upon expected annual benefit payments.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees in the consolidated statement of operations. The amortization period of the active employees covered by the post-retirement plan is 11 years (2016 - 12 years) and post-employment plan is 6 years (2016 - 6 years).

(k) Deferred revenue:

The Authority defers the portion of the revenue collected from transit services relating to services not yet rendered. This revenue is recognized in the year in which related services are provided.

2. Significant accounting policies (continued):

(l) Deferred concessionaire credit:

Deferred concessionaire credit represents the funding provided by the Canada Line Concessionaire towards the design and construction phases of the Canada Line in exchange for the right to operate the line over the 30 year operating term. This amount is amortized to income on a straight-line basis over the operating term of the concessionaire agreement which commenced in August 2009 and will expire in July 2040.

(m) Government transfers:

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.

A significant portion of the Authority’s government funding for capital purposes is received from the federal government through the Gas Tax program and other similar programs. Under these agreements, the Authority is required to acquire specific transit assets with the funds. The Authority is also required under certain agreements to maintain the assets over a set holding period and repay funds if the associated assets are sold before the end of the holding period.

(n) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries.

A liability for remediation of contaminated sites is recognized when all the following criteria are met:

(i) an environmental standard exists;

(ii) contamination exceeds the environmental standard;

(iii) the Authority is directly responsible or accepts responsibility;

(iv) it is expected that future economic benefits will be given up; and

(v) a reasonable estimate of the amount can be made.

The liability is recognized as management’s estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(o) Income taxes:

The Authority is a tax exempt corporation, which is exempt from Canadian Federal and British Columbia Provincial income taxes as it is deemed to be a public body performing the function of government in Canada. The Authority’s subsidiaries file on the basis that they are exempt from Canadian Federal and British Columbia Provincial income taxes.

2. Significant accounting policies (continued):

(p) Foreign currency translation:

Transactions of the Authority and its subsidiaries originating in foreign currencies are translated at the rates in effect at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the statement of financial position dates. Foreign exchange gains and losses are included in income.

(q) Use of estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of tangible capital assets, percentage of completion of construction-in-progress, allowance for doubtful accounts receivable, obsolete inventory, determination of employee future benefits, liability for contaminated sites, self-insurance liability provisions and provisions for legal contingencies. Actual results could differ from those estimates.

(r) Segment disclosure:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. TransLink has provided definitions of segments used and presented financial information in the segmented format (note 16). The Business Technology, Human Resource, Payroll and Administrative Services costs are managed by the corporate segment and allocated among the operating segments, as appropriate. Interest has been allocated based on the allocated depreciation.

(s) Budget data:

The budget data presented in these consolidated financial statements were approved by the Board of Directors on December 8, 2016.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

3. Loan receivable:

In 2016, the Authority sold the Oakridge Transit Centre land for proceeds of $440,000,000. The Authority received $22,000,000 of proceeds in 2017 (2016 - $88,000,000) with the remaining payment due in annual instalments as follows:

	Instalments
January 20, 2019	$ 66,000
January 20, 2020	66,000
January 20, 2021	66,000
January 20, 2022	66,000
January 20, 2023	66,000
Total	$ 330,000

The instalments are secured by a mortgage on the land sold.

The loan receivable of $310,197,000 (2016 - $325,313,000) is the present value of the instalments due as at December 31, 2017 using a discount rate of 2.10%.

Interest accrues on each instalment if it is not paid one month prior to its due date. Interest accrues at 18.00% per annum, calculated and compounded half-yearly. Provided the purchaser is in compliance with the land sale agreement and related mortgage, the purchaser can prepay all or any part of the remaining instalments at any time without notice, bonus or penalty.

4. Restricted and unrestricted cash and investments:

The Authority holds investments consisting of term deposits, money market instruments, and bonds held at various financial institutions.

All these investments are recorded at amortized cost. The bonds have an average initial term of 173 months (2016 - 147 months) and an average remaining term to maturity of 148 months (2016 - 129 months). All bonds held by the Authority, as at December 31, 2017 and 2016, were rated A or higher.

Details of interest rate and maturity date ranges of the term deposits are as follows:

	2017	2016
Interest rate range	1.45% - 2.15%	1.40% - 1.95%
Maturity date range	January 2018 – April 2019	January 2017 - April 2018

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

4. Restricted and unrestricted cash and investments (continued):

Details of effective interest rates and coupon rates of the government and corporate bonds are as follows:

	2017		2016	
	Effective rates	Coupon rates	Effective rates	Coupon rates
Weighted average rate	2.87%	3.30%	2.59%	3.20%
Interest rate range	1.09% - 4.51%	1.50% - 5.60%	1.09% - 4.51%	1.33% - 5.60%

(a) Restricted cash and cash equivalents and investments:

	2017	2016
Government transfers for capital project funding (i):		
Cash and cash equivalents	$ 242,317	$ 52,354
Investments:		
Term deposits and money market instruments	118,842	72,013
Bonds (note 14(b))	47,804	68,097
Total government transfers for capital project funding	408,963	192,464
Self-administered sinking funds:		
Cash and cash equivalents	1	14
Bonds maturing beyond one year (note 14(b))	209,261	162,380
Total self-administered sinking funds	209,262	162,394
Land reserve:		
Cash and cash equivalents	91,406	128,016
Term deposits	47,482	-
Total land reserve	138,888	128,016
TPCC (wholly-owned captive insurance subsidiary):		
Bonds (note 14(b))	23,127	21,421
Total restricted cash and investments	$ 780,240	$ 504,295

(i) Unspent government transfers for capital project funding consists of $405,924,000 (2016 - $190,464,000) of Gas Tax funds and $3,039,000 (2016 - $2,000,000) of other funding.

(b) Unrestricted investments:

Unrestricted investments are comprised of term deposits and money market instruments in the amount of $60,951,000 (2016 - $80,917,000).

5. Debt reserve deposits and callable demand notes:

The Authority is required to pay the Municipal Finance Authority of British Columbia ("MFA") debt reserve deposits into a debt reserve fund of 1.00% of the face value of each debenture borrowing from the MFA. These are interest bearing restricted funds administered by the MFA and are only refundable once the respective debt issue has been fully repaid.

If at any time the MFA does not receive sufficient funds to meet payments or sinking fund contributions due on the Authority's debt obligations, the interest and principal payments or sinking fund contributions will be deducted from this debt reserve fund.

In addition to the debt reserve deposit, the Authority is required by the MFA to issue a non-interest bearing demand note for an amount equal to one-half the average annual installment of principal and interest relative to any debt borrowed less the debt reserve deposit. The demand notes payable to the MFA are callable only if, in the event of a default by the Authority or Metro Vancouver (the interposed significant lender over the Authority's long-term debt), there are insufficient funds in the Authority's debt reserve deposit held at the MFA to meet a required interest, principal payment or sinking fund contribution. As the Authority is in full compliance with its debt payments and no such call has been made by the MFA on these demand notes, their face value have not been recorded as a liability on the consolidated statement of financial position. At year-end, the maximum value of the demand notes totaled $36,070,000 (2016 - $42,299,000).

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

6. Debt:

	2017	2016
Unsecured commercial paper, due next 12 months	$ 239,636	$ 239,603
Unsecured sinking fund bonds held by the MFA, weighted average coupon rate of 4.23% (effective rate 4.27%), maturing at various dates from 2018 to 2036, 10 to 30 year original term	1,288,228	1,417,315
Less: MFA administered debt sinking funds	(648,913)	(694,896)
Unsecured serial debenture held by the MFA, coupon rate of 5.10% interest payable semi-annually (effective rate 5.19%), maturing in 2025, principal repayment of approximately $2 million annually, 20 year original term	21,410	23,817
Unsecured bullet maturity bond series TL-1, interest rate 3.80% (effective rate 3.88%), maturing 2020, original 10 year term	299,326	299,121
Unsecured bullet maturity bond series TL-2, interest rate 4.65% (effective rate 4.70%), maturing 2041, original 30 year term	198,613	198,587
Unsecured bullet maturity bond series TL-3, interest rate 3.85% (effective rate 3.82%), maturing 2052, original 40 year term	251,474	251,502
Unsecured bullet maturity bond series TL-4, interest rate 4.45% (effective rate 3.97%), maturing 2044, original 30.5 year term	394,925	395,606
Unsecured bullet maturity bond series TL-5, interest rate 3.05% (effective rate 3.06%), maturing 2025, original 10.5 year term	214,934	214,932
Unsecured bullet maturity bond series TL-6, interest rate 3.15% (effective rate 3.18%), maturing 2048, original 31 year term	198,682	-
Capital lease, weighted average implicit rate of 4.00% (2016 - 4.00%), maturing at various dates from 2018 to 2021	4,416	1,679
	$ 2,462,731	$ 2,347,266

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

6. Debt (continued):

The Authority has an unsecured revolving credit facility with a syndicate of Canadian financial institutions totaling $500 million which will expire on March 23, 2021. The credit facility is to be used primarily as a liquidity backstop of commercial paper and provides for loans at varying rates of interest based on certain benchmark interest rates, specifically the Canadian prime rate and the Canadian bankers' acceptance rate, and on the Authority's credit ratings at the time of drawdown. The Authority is also required to pay commitment fees, which are also dependent on the Authority's credit ratings. This credit facility has no financial covenants or requirement to maintain a specific credit rating and was not drawn upon in 2017.

The Authority's unsecured commercial paper program is backstopped by the abovementioned syndicated credit facility which enables it to issue commercial paper up to a maximum aggregate of $500 million. As at December 31, 2017, $239,636,000 (2016 - $239,603,000), was owed under this commercial paper program at an average interest rate of 1.25% (2016 - 0.76%) and is due for repayment in January and February 2018 (2016 - January and February 2017).

The future debt payments, future actuarial interest on the MFA sinking fund payments and unamortized premium / issue costs are summarized as follows:

	Commercial Paper	Sinking Fund Bonds Held by MFA	Serial Debenture Held by MFA	Bullet Maturity Bonds	Capital Leases	Total
Future payments:						
2018	$ 240,000	$ 44,012	$ 2,466	$ -	$ 3,331	$ 289,809
2019	-	36,357	2,529	-	698	39,584
2020	-	34,700	2,593	300,000	367	337,660
2021	-	34,700	2,659	-	20	37,379
2022	-	32,698	2,727	-	-	35,425
Thereafter	-	165,571	8,607	1,230,000	-	1,404,178
	240,000	348,038	21,581	1,530,000	4,416	2,144,035
Future actuarial interest	-	293,049	-	-	-	293,049
	240,000	641,087	21,581	1,530,000	4,416	2,437,084
Unamortized premium / (issue costs)	(364)	(1,772)	(171)	27,954	-	25,647
	$ 239,636	$ 639,315	$ 21,410	$ 1,557,954	$ 4,416	$ 2,462,731

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. Transfers from other governments:

(a) Deferred government transfers:

	Balance, January 1, 2017	Contributions received	Interest earned	Recognized as revenue	Balance, December 31, 2017
Capital project funding:					
Gas Tax	$ 314,850	$ 272,672	$ 4,939	$ (90,014)	$ 502,447
Canada Line	524,990	-	-	(23,244)	501,746
Building Canada Fund	71,750	-	-	(4,464)	67,286
Public Transit Infrastructure Fund	-	54,788	-	-	54,788
Evergreen Line	7,000	-	-	-	7,000
Public Transit Fund	9,614	-	-	(3,758)	5,856
Transit Secure Fund	6,495	-	-	(794)	5,701
Public Transit Infrastructure Program	4,355	-	-	(1,740)	2,615
Urban Transportation Showcase	1,717	-	-	(687)	1,030
Capstan Station	-	1,098	-	-	1,098
Miscellaneous programs	275	443	-	(589)	129
	941,046	329,001	4,939	(125,290)	1,149,696
Operating funding:					
Canada Line Operating Fund (note 9(c))	-	19,290	-	(19,290)	-
Golden Ears Bridge forgone tolling	-	18,994	-	(18,994)	-
Properties Environmental Program	-	2,808	-	(2,808)	-
Other cost sharing projects	-	520	-	(520)	-
	-	41,612	-	(41,612)	-
	$ 941,046	$ 370,613	$ 4,939	$ (166,902)	$ 1,149,696

The balance as at December 31, 2017 of $1,149,696,000 consists of:

(i) Unspent Gas Tax funds of $405,924,000 (2016 - $190,464,000) and unspent funds for various other projects of $3,039,000 (2016 - $2,000,000); and

(ii) Spent funds of $740,733,000 (2016 - $748,582,000) that will be recognized as revenue as the related stipulations in the agreement are met.

(b) Gas Tax funding:

The Authority receives funding annually from the Government of Canada via a Gas Tax funding agreement between the Authority and the Union of British Columbia Municipalities ("UBCM"). The Authority is required to spend the funds on defined tangible capital assets to support the mandate, as prescribed in the agreement.

In 2015, the Authority entered into a new funding agreement with UBCM (the "Agreement").

Under the terms of the Agreement, for tangible capital assets acquired prior to April 1, 2014, the Authority is required to continue to retain title to the ownership of the infrastructure for a period of 10 years, or the useful life of the asset, if less than 10 years. Accordingly, once the contributions are spent on eligible items and the assets are placed into service, the contributions are amortized to revenue over 10 years, or the assets' useful life if less than 10 years.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. Transfers from other governments (continued):

(b) Gas Tax funding (continued):

Tangible capital assets acquired on or subsequent to April 1, 2014 are not subject to stipulations and the contributions are recognized in revenue when the funds are spent on eligible items.

Receipts and disbursements for the year are as follows:

	2017	2016
Opening balance, unspent funds	$ 190,464	$ 320,009
Amount received during the year	272,672	-
Interest earned	4,939	3,799
Amount spent on designated public transit projects	(62,151)	(133,344)
Closing balance, unspent funds	$ 405,924	$ 190,464

(c) Canada Line funding:

The Authority has received certain contributions for the Canada Line infrastructure from the federal and provincial government with the stipulation that TransLink operate and maintain the Canada Line for a minimum of 30 years, equal to the operating agreement with the concessionaire. As such, the Authority recognizes the revenue from the contributors over the holding period of 30 years.

(d) Building Canada Fund:

The Building Canada Fund was established by the Federal Government to provide strategic funding to infrastructure projects managed by Canadian provinces, territories and municipalities. Through an agreement with the Province, the Authority obtains funding from the Major Infrastructure Component of the Building Canada Fund which supports various projects related to public transit. In addition to the federal funds, the Authority also receives provincial funding for certain Building Canada Fund related projects.

Under the agreement, if any of the assets acquired are disposed or used in a manner other than as described in their request for funding, the Authority is required to return a portion of the contribution to the Province as follows:

Portion of contribution refund	Up to 1 year after the project completion date	Reduction in refund each year afterward
Fixed assets (non-movable)	100%	4%
Non-fixed assets (movable)	100%	10%

7. Transfers from other governments (continued):

(d) Building Canada Fund (continued):

Accordingly, the Authority recognizes the revenue over the stipulation periods of 10 or 25 years.

(e) Public Transit Infrastructure Fund:

The Public Transit Infrastructure Fund ("PTIF") was established by the Federal Government to provide funding to support the rehabilitation of transit systems, new capital projects, and planning and studies for future transit expansion to foster long-term transit plans. The Government of Canada has entered into a bilateral agreement with the Province of British Columbia, which in turn has entered into an agreement with the Authority to provide senior government funding for eligible projects under the PTIF program.

Under the agreement, if any of the acquired or constructed assets are sold, leased, disposed or used in a manner other than as described in their request for funding for five years after the agreement end date of March 31, 2020, the Authority is required to return a portion of the contribution to the Province.

Accordingly, the Authority recognizes the revenue over the stipulation period of five years.

(f) Evergreen Line:

In 2016, TransLink received $30,261,000 of Evergreen Line project assets funded by partners of the British Columbia Transportation Financing Authority ("BCTFA"), of which $7,000,000 was funded by PPP Canada Inc. and has a 25 year holding period stipulation on the related tangible capital asset.

Accordingly, the Authority recognizes the revenue based on milestones throughout the stipulation period of 25 years.

(g) Capstan Station funding:

On March 21, 2012, TransLink entered into a Funding Agreement with City of Richmond ("CoR") in relation to the design and construction of the Canada Line Capstan Station. The project was divided into three phase: preliminary design, detailed design and construction, and CoR agreed to contribute funding for the three phases totaling $25,316,600 (subject to inflationary adjustments). In 2017, TransLink received $1,098,000 from CoR for funding of the preliminary design phase and is required to complete the construction of the project within 30 months upon receipt of the full amount of funding.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

7. Transfers from other governments (continued):

(h) Golden Ears Bridge forgone tolling revenue:

In August 2017, the Province announced the removal of tolls on the Golden Ears Bridge ("GEB") effective September 1, 2017. The Authority entered into an agreement with the Province to receive payments for foregone projected toll revenue to 2050, provided that the Authority does not charge users tolls for any new crossings and ensures the continued availability and operation of the GEB. The Authority recognizes the funding as government transfers revenue if these conditions are met.

(i) Working capital balances:

	2017	2016
Trade accounts receivable	$ 30,596	$ 45,283
Due from Federal Government	4,984	6,806
Due from Province of British Columbia	78,588	74,490
Due from Regional Districts	4,344	4,767
Due from other Authorities	2,340	2,390
Accounts receivable	$ 120,852	$ 133,736

	2017	2016
Trade accounts payable and accrued liabilities	$ 215,020	$ 202,106
Due to Federal Government	11,304	4,663
Due to Province of British Columbia	3,076	1,879
Due to Regional Districts	31,533	19,396
Due to other Authorities	8,124	6,478
Accounts payable and accrued liabilities	$ 269,057	$ 234,522

(j) Transit revenue:

Included in transit revenues is $10,888,000 (2016 - $11,614,000) of contributions from the provincial government to assist with administering the U-Pass BC program and to offset any lost transit revenues.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

8. Golden Ears Bridge:

(a) Golden Ears Bridge contractor liability:

In 2006, the Authority entered in a fixed-price contract with the Golden Crossing General Partnership (the "GCGP") to design, construct, finance, operate, maintain and rehabilitate the GEB. The contract was executed in March 2006 and terminates in June 2041.

The GEB contractor liability to finance the construction is repaid by the Authority over the operating term as follows:

	2017	2016
Opening balance	$ 1,049,021	$ 1,050,913
Interest accretion on contractor liability to last payment date	66,095	66,638
Payments made	(69,559)	(68,530)
Ending balance	$ 1,045,557	$ 1,049,021

As the last monthly payment of the year was made on December 8, 2017, the interest accrual from December 9 to 31, 2017 of $4,203,000 (2016 - $4,104,000) is included in accounts payable and accrued liabilities.

Capital and interest payments to the GCGP commenced on substantial completion of the project. The nominal (based on 2005 dollars) monthly blended capital and interest payments, prior to escalation for the CPI index, are $4,792,000.

The obligation to the GCGP bears interest at an effective rate of 6.70% per annum. The effective interest rate is the implicit interest rate, which establishes the net present value of the payment stream equal to the cost of the bridge, considering future payments adjusted by the forecasted CPI index with an estimated annual inflation rate of 2.00%. The estimated payments in the next five years are as follows:

	Capital and interest
2018	$ 73,018
2019	74,477
2020	75,977
2021	77,504
2022	79,046

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

8. Golden Ears Bridge (continued):

(b) Operating agreement with GCGP:

The Authority also pays the GCGP a monthly Operating, Maintenance, Rehabilitation ("OMR") fee of $316,198 (based on 2005 dollars), which escalates based on a CPI index. Including an estimated 2.00% inflation rate per annum, the OMR payments to GCGP in the next 5 years are expected to be as follows:

		OMR
2018	$	4,818
2019		4,914
2020		5,013
2021		5,114
2022		5,215

(c) Agreement with V-Flow Tolling Inc. ("V-Flow"):

The Authority has a contract with V-Flow to design, furnish, install, test, operate and maintain a toll system for the GEB on behalf of the Authority. The contract expires on July 15, 2018.

Payments to V-Flow under the contract terms consist of fixed and variable components and are adjusted periodically based on a CPI index. The fixed component of the remaining payments under the contract from January 2018 to July 2018 totals $2,140,000. TransLink is in the process of evaluating the next steps subsequent to the termination of the V-Flow agreement.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

9. Canada Line:

The Canada Line is a light rail rapid transit line that links central Richmond, the Vancouver International Airport and downtown Vancouver. The concessionaire ("InTransit BC") is contracted to operate the Canada Line from August 2009 to July 2040.

(a) Deferred concessionaire credit:

The deferred concessionaire credit represents contributions made by the concessionaire to design and construct the Canada Line in exchange for the right to operate. This amount is being amortized over the concession term which ends July 2040.

	2017	2016
Opening balance	$ 549,059	$ 572,396
Less: amortization	(23,274)	(23,337)
Closing balance	$ 525,785	$ 549,059

(b) Operating commitments:

Base operational and maintenance payments to the Canada Line concessionaire (with 2003 being the base year), prior to adjustments for operational metrics and inflation, are as follows:

	Each 28-day period
January 2018 to December 2034	$ 6,458
January 2035	5,285
February 2035 to July 2040	4,113

The total estimated base operating and maintenance payments, excluding taxes, to the concessionaire for each of the next five years adjusted for certain operational metrics and inflation, are as follows:

2018	$ 113,000
2019	116,000
2020	118,000
2021	120,000
2022	122,000

The base operating and maintenance payments are subject to special events and passenger volume adjustments as well as quality and availability deductions according to the provisions of the contract.

9. Canada Line (continued):

(c) Operating contributions:

The Province of British Columbia has committed to provide funding of $1,478,000 at each 28 day period for 395 periods to November 2039 related to the Canada Line operating expenses, which is approximately $19,300,000 per annum subject to quality and availability deductions. The funding received in 2017 was $19,290,000 (2016 - $19,290,000).

10. Pension plans and employee future benefits:

(a) Pension plans:

The Authority and its subsidiaries contribute to the Public Service Pension Plan (the "Plan"), which is a multi-employer defined benefit plan, together with other British Columbia public service employers, in accordance with the Public Sector Pension Plans Act.

The British Columbia Pension Corporation administers the Plan, including the payment of pension benefits and other post-retirement benefits, on behalf of the employers and the employees to whom the Act applies. The long-term funding of the Plan is based on the level contribution method. Using this method, employer contribution rates are set out so that, in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability ("UAL") for funding purposes, if any, as a constant percentage of employer payroll. The actuary does not attribute portions of the UAL to individual employers. Contributions to the Plan are expensed in the year when payments are made. Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest full actuarial valuation for the Public Service Pension Plan, which was carried out as at March 31, 2017, resulted in a surplus of $1,895,876,000. The total expense recorded in the consolidated financial statements, in respect of pension contributions to the Plan, amounts to $44,940,000 (2016 - $42,559,000).

(b) Employee future benefits:

(i) Post-retirement:

In addition to the post-retirement benefits provided by the Plan, the Authority, CMBC and TSML continue to provide life insurance benefits to eligible retired employees.

In fiscal 2011, PSPP officially announced that effective April 1, 2012 it will no longer subsidize the Retiree MSP for Retirees and their dependents and extended health benefits for the Retiree's dependents. As per the COPE collective agreements, the benefits are the responsibility of TransLink and CMBC and therefore, the Authority funds (for eligible retired COPE employees) the remaining cost of MSP and extended health, which is not paid by the PSPP.

10. Pension plans and employee future benefits (continued):

(b) Employee future benefits (continued):

(i) Post-retirement (continued):

In the collective agreement between TSML and the Transit Police Professional Association ("TPPA") union ratified on November 27, 2014, the parties eliminated the MSP and extended health retiree benefits for new employees. Employees with one complete year of service or more as of November 27, 2014 were eligible for retirement benefits as follows:

- employees with at least 10 consecutive years of service at TSML and eligible to retire on pension with TSML as of December 31, 2018 who elected by May 26, 2015 to retire on or before December 31, 2018.
- all other eligible employees were paid a lump-sum of $750 per year of service calculated as of November 27, 2014.

BCRTC also sponsors a post-retirement plan which provides MSP coverage, extended health and dental benefits to eligible retired employees.

The total expense recorded in the consolidated financial statements, in respect of obligations under these plans, amounts to $12,347,000 (2016 - $11,140,000).

(ii) Post-employment:

The Authority, CMBC and TSML provide MSP, extended health, dental and life insurance benefits to employees on approved long-term disability leave (post-employment benefits).

BCRTC provides MSP, extended health, dental, life insurance and pension benefits to employees on approved long-term disability leave.

Effective December 24, 2012, WCE employees on approved long-term disability leave receive MSP, extended health, dental and life insurance benefits.

The total expense recorded in the consolidated financial statements for the year, in respect of obligations under these plans, amounts to $2,336,000 (2016 - $2,893,000).

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

10. Pension plans and employee future benefits (continued):

(b) Employee future benefits (continued):

(iii) Summary of the Authority's post-retirement and post-employment plans is as follows:

	Post-retirement benefits	Post-employment benefits	Total 2017	Total 2016
Accrued benefit obligation	$ 100,483	$ 18,840	$ 119,323	$ 121,761
Unamortized net actuarial (loss) gain	(416)	11,995	11,579	(1,614)
Accrued benefit liability	$ 100,067	$ 30,835	$ 130,902	$ 120,147

The accrued benefit liabilities are not funded.

(iv) The expense for the year is comprised of the following components:

	Post-retirement benefits	Post-employment benefits	Total 2017	Total 2016
Current period benefit cost	$ 6,277	$ 5,033	$ 11,310	$ 10,687
Interest cost	3,943	677	4,620	4,241
Amortization of actuarial (gains) and losses	2,127	(3,374)	(1,247)	(895)
Net expense	12,347	2,336	14,683	14,033
Actuarially determined payments	(1,436)	(2,492)	(3,928)	(3,909)
Change in accrued benefit liability	$ 10,911	$ (156)	$ 10,755	$ 10,124

(v) The significant assumptions used are as follows:

	2017	2016
Discount rates	2.90% - 3.20%	2.80% - 3.60%
Expected health care cost trend rates	4.40% - 6.80%	4.40% - 7.20%

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

11. Tangible capital assets:

Cost	Balance, January 1, 2017	Additions, net of transfers	Disposals	Write-down of assets	Balance, December 31, 2017
Land	$ 355,318	$ 3,360	$ -	$ -	$ 358,678
Land improvements	40,397	-	-	-	40,397
Buildings	305,526	4,928	-	-	310,454
Bridges, guideways, stations and tunnels	2,371,411	633	-	-	2,372,044
Other supporting systems	1,041,059	21,420	-	(11,422)	1,051,057
Vehicles and SeaBus	1,638,870	66,360	(13,287)	-	1,691,943
Equipment	672,979	27,614	(2,883)	-	697,710
Tangible capital projects in progress	154,516	110,253	-	-	264,769
	$ 6,580,076	$ 234,568	$ (16,170)	$ (11,422)	$ 6,787,052

Accumulated amortization	Balance, January 1, 2017	Additions	Disposals	Write-down of assets	Balance, December 31, 2017
Land	$ -	$ -	$ -	$ -	$ -
Land improvements	(19,591)	(1,201)	-	-	(20,792)
Buildings	(106,751)	(7,923)	-	-	(114,674)
Bridges, guideways, stations and tunnels	(165,755)	(24,291)	-	-	(190,046)
Other supporting systems	(218,038)	(38,024)	-	10,243	(245,819)
Vehicles and SeaBus	(826,225)	(79,195)	11,894	-	(893,526)
Equipment	(375,720)	(41,537)	2,303	-	(414,954)
	$ (1,712,080)	$ (192,171)	$ 14,197	$ 10,243	$ (1,879,811)

Net book value	Balance, January 1, 2017	Balance, December 31, 2017
Land	$ 355,318	$ 358,678
Land improvements	20,806	19,605
Buildings	198,775	195,780
Bridges, guideways, stations and tunnels	2,205,656	2,181,998
Other supporting systems	823,021	805,238
Vehicles and SeaBus	812,645	798,417
Equipment	297,259	282,756
Tangible capital projects in progress	154,516	264,769
	$ 4,867,996	$ 4,907,241

Included in tangible capital assets is capital leased equipment with a net book value of $8,600,000 (2016 - $2,700,000).

Interest capitalized during the year ended December 31, 2017 amounted to $2,125,000 (2016 - $7,900,000).

11. Tangible capital assets (continued):

As at December 31, 2017, the net book value of Expo and Millennium Line guideways or system improvements totaled $328,000,000 (2016 - $327,000,000) of which $227,000,000 (2016 - $224,000,000) relates to improvements on the assets that are leased/licensed from the Province. The guideways are leased/licensed from the Province for nominal proceeds and the Authority is responsible for operations and maintenance. The Expo and Millennium line leases expire on January 29, 2019. Both leases have available renewal options and the agreements provide the Authority with reimbursement of the unamortized cost of capital improvements to the assets that are leased/licensed from the Province should the leases not be renewed. As the Authority expects to either renew the leases or be reimbursed for any unamortized costs, the improvements are capitalized and amortized over their expected useful lives and not the term of the leases.

BCTFA leases to TransLink all of its interests (owned and otherwise) with respect to the West Coast Express properties and infrastructure. As at December 31, 2017, the net book value of West Coast Express improvements totaled $3,700,000 (2016 - $4,000,000).

The Evergreen Line (an extension of the Millennium Line) links neighborhoods in Burnaby, Port Moody and Coquitlam and is operated by TransLink as part of the regional transportation network. The Evergreen Line is funded by the Government of Canada, BCTFA, TransLink and other partners. On October 31, 2016, the Evergreen Line was substantially completed and accordingly, a portion of the Evergreen Line infrastructure ("TransLink Evergreen Line Infrastructure") was transferred from BCTFA to TransLink including stations, guideway and the related systems east of Inlet Centre station (excluding Inlet Centre station) and the vehicle storage facility. As at December 31, 2017, the net book value of Evergreen Line guideways and system owned by TransLink, excluding skytrain vehicles, totaled $331,675,000 (2016 - $335,072,000).

As BCTFA holds the underlying property rights on which the TransLink Evergreen Line Infrastructure is located, BCTFA and TransLink have agreed to enter into an agreement whereby TransLink may exercise and obtain the benefit of BCTFA's interests to such property rights for a 100 year term on certain terms and conditions, including that if the agreement expires or terminates then BCTFA will reimburse TransLink for the unamortized portion of the initial cost of the TransLink Evergreen Line Infrastructure.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Commitments and contingencies:

(a) Operating leases:

The Authority is committed to annual lease payments in respect of office premises, in the following amounts:

2018	$ 17,478
2019	15,994
2020	15,755
2021	15,462
2022	15,010
	$ 79,699

Included in the payment schedule above are certain commitments that extend beyond 2022. Significant commitments beyond 2022 are as follows:

(i) The Authority has a premise lease with the Brewery District Investments Ltd. for the head office of TransLink and TSML which ends in 2033. The monthly commitment for basic rent and operating costs subsequent to year 2022 ranges from $826,000 to $884,000.

(b) WCE - lease and operating commitments:

In connection with operating the Commuter Rail System, the operating commitment for WCE include train operations, office lease, rolling stock maintenance, ticket vending and parking management, land leases and miscellaneous services.

The following summarizes the WCE operating commitments:

2018	$ 15,041
2019	12,311
2020	11,199
2021	6,186
2022	6,108
	$ 50,845

Subsequent to 2022, monthly operating commitments for WCE are $425,000 to $509,000 for 2023 to 2025.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

12. Commitments and contingencies (continued):

(c) Operating commitment with Cubic Transportation System Inc.:

The Authority has a contract with Cubic Transportation Systems Inc. (“Cubic”) to operate its transit fare system. The contract expires in January 2026 with the Authority having the option to extend the term of the contract for an additional 5 years.

Base payments to Cubic under the contract terms for operations and maintenance are adjusted periodically based on a CPI index.

The base payments prior to adjustments for operational metrics based on 2011 dollars are as follows:

	Fixed component
2018	$ 11,161
2019	11,386
2020	11,716
2021	13,465
2022	12,057
	$ 59,785

Subsequent to 2022, the fixed monthly base payments range from $969,000 to $1,038,000 for 2023 to 2025.

(d) Diesel fuel purchase:

The Authority has entered into multiple fixed price future agreements for diesel purchase volumes up to September 2018. The approximate total payment relating to the fixed price future agreements for the contracted purchase volumes is $19,700,000 (2016 - $11,900,000).

(e) Natural gas supply contract:

The Authority has entered into multiple fixed price natural gas purchase agreements for varying terms up to October 2021. The approximate total payment relating to these agreements is as follows:

	Contract Amount
2018	$ 875
2019	1,801
2020	1,800
2021	1,800
	$ 6,276

12. Commitments and contingencies (continued):

(f) Major Road Network ("MRN") Capital Funding:

The Authority has signed several funding agreements with municipalities on major MRN projects. At December 31, 2017, the net amount of MRN capital infrastructure contributions committed and not paid is $2,270,000 (2016 - $3,090,000). This amount will be paid to the municipalities upon completion of their projects.

(g) Lawsuits and claims:

As at December 31, 2017, a number of lawsuits and claims, arising in the ordinary course of business, have been initiated against the Authority. Management is of the opinion that sufficient provisions net of any recoveries have been made in the financial statements for any lawsuits and claims made against the Authority, except as noted below.

A number of lawsuits commenced against TransLink and/or its subsidiary, , in relation to the Canada Line project remain outstanding. The Authority does not believe that reasonable estimates of any potential losses can be estimated at this time and therefore, no provisions have been made in the consolidated financial statements for the following:

- A class action lawsuit filed by Cambie area merchants, where no specific amount has been claimed at this time. The trial of the first phase of this class action concluded April 2, 2015. Reasons for Judgment were delivered November 6, 2015. The main claims of the merchants for damages for the tort of nuisance were dismissed. The Court's decision allows for a certain claim of lesser value, injurious affection to property interests, to be advanced. The number of claims that may be advanced in the future is approximately 100; the amount of these claims cannot be estimated at this time.
- A lawsuit filed by a number of Cambie area merchants, where no specific amount has been claimed at this time.
- Two additional lawsuits each filed by individual Cambie area merchants, where no specific amount has been claimed at this time.

Once a reasonable estimate of the potential liability, if any, is determined, a provision will be recognized.

(h) Other capital and inventory commitments:

At December 31, 2017, $403,018,000 (2016 - $119,988,000) has been contractually committed for other capital projects and inventory.

(i) Letters of credit:

As at December 31, 2017, the Authority has issued letters of credit to the City of Richmond and the City of Surrey totaling $1,005,000 (2016 - $1,023,000) which expire in 2018.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

13. Statement of cash flows:

	2017	2016
Non-cash changes to operations:		
Amortization of tangible capital assets	$ 192,171	$ 181,663
Amortization of bond (premium) discount	(35)	576
Amortization of debt issue cost	188	193
Amortization of deferred concessionaire credit	(23,274)	(23,337)
Amortization of deferred government transfers	(125,290)	(196,945)
Amortization of deferred lease inducements	(92)	(221)
Government transfers revenue - asset received	-	(23,261)
Write-down of tangible capital assets	1,179	-
Loss (gain) on disposal of tangible capital assets	1,104	(422,183)
	$ 45,951	$ (483,515)

	2017	2016
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	$ 12,884	$ (31,315)
Decrease (increase) in loan receivable	15,116	(325,313)
Increase in supplies inventory	(3,462)	(5,389)
Decrease (increase) in prepaid expenses	(9,746)	62
Increase (decrease) in accounts payable and accrued liabilities	34,535	(7,244)
Increase in deferred revenue and deposits	10,893	20,777
Employee future benefit payable	10,755	10,124
	$ 70,975	$ (338,298)

14. Financial instruments:

(a) Credit, interest and foreign exchange risk:

Unless otherwise noted, it is management's opinion that the Authority is not exposed to any significant credit or interest rate risk as a result of these financial instruments. Interest rate risk related to the Authority's debt will be subject to the market interest rates at the date of refinancing, but this risk is mitigated by spreading maturities of borrowings over multiple years and also regularly making contributions to sinking funds in order to repay all long-term bullet debt over a pre-determined amortization period. The Authority's operations are all based in Canada and exposure to foreign exchange fluctuations is not significant.

(b) Fair values:

The fair values of certain debt and assets are represented in the table below. Management considers term deposits and money market instruments carrying amounts to approximate fair values. For all other classes of financial instruments presented in these consolidated financial statements, management considers the carrying amounts approximate the fair values.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

14. Financial instruments (continued):

(b) Fair values (continued):

2017	Fair values	Cost
Restricted investments:		
Government transfers for capital projects - bonds	$ 47,457	$ 47,804
TPCC - bonds	22,989	23,127
Self-administered sinking funds - bonds	218,339	209,261

2016	Fair values	Cost
Restricted investments:		
Government transfers for capital projects - bonds	$ 68,121	$ 68,097
TPCC - bonds	21,487	21,421
Self-administered sinking funds - bonds	165,044	162,380

15. Taxation revenue:

	2017	2016
Fuel tax	$ 373,780	$ 395,731
Property tax	339,124	324,496
Parking sales tax	70,019	67,032
Hydro levy	20,576	20,450
Replacement tax	17,834	17,961
	$ 821,333	$ 825,670

16. Segmented information:

(a) Bus division:

Fixed route bus services, SeaBus service and custom transit are delivered through TransLink's wholly-owned subsidiary, Coast Mountain Bus Company Ltd., and various contractors that operate the Community Shuttle routes, West Vancouver Blue Bus, and HandyDART. The Bus division represents the operating costs and the allocated depreciation and interest costs.

(b) Corporate:

TransLink corporate is the organization's head office, responsible for organizational leadership and oversight, and the development and undertaking of TransLink's strategic transportation and financial plans. Other functions centralized at the corporate office include capital project approvals, legal services, information systems, human resources, corporate finance, transportation systems planning, internal audit, marketing, real estate services and the transportation demand management program.

(c) Rail division:

Automated light rail and commuter train services are provided by TransLink's wholly-owned subsidiaries, British Columbia Rapid Transit Company Ltd. and West Coast Express Ltd., and through the concession agreement for the Canada Line. The Rail division represents the operating costs and the allocated depreciation and interest costs.

(d) Roads and Bridges:

TransLink owns and operates the Knight Street Bridge, Pattullo Bridge, Westham Island Bridge, and the Golden Ears Bridge. In partnership with the municipalities, TransLink supports the Major Road Network ("MRN"), a network of major roads throughout Metro Vancouver. The MRNs are generally owned by municipalities. TransLink provides funding for the operations, maintenance, and rehabilitation of the MRN, and shares in the costs of eligible capital improvements.

(e) Transit Police:

The South Coast British Columbia Transportation Authority Police Service ("Transit Police") maintains order, safety and security on transit facilities and adjacent areas, and is authorized to enforce laws. The Transit Police coordinate its activities with jurisdictional police as well as other transit security staff.

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

16. Segmented Information (continued):

	2017						
	Bus division	Corporate	Rail division	Roads & bridges	Transit Police	Total	2016
Revenue:							
Taxation	$ -	$ 821,333	$ -	$ -	$ -	$ 821,333	$ 825,670
Transit	-	590,964	-	-	-	590,964	541,589
Golden Ears Bridge tolling	-	-	-	29,743	-	29,743	52,116
Government transfers	-	166,040	-	862	-	166,902	240,533
Amortization of deferred concessionaire credit	-	-	23,274	-	-	23,274	23,337
Investment income	-	50,278	-	-	-	50,278	40,567
Miscellaneous revenue	2,832	2,557	602	-	1,018	7,009	6,351
Gain (loss) on disposal of tangible capital assets	-	(523)	(581)	-	-	(1,104)	422,183
	2,832	1,630,649	23,295	30,605	1,018	1,688,399	2,152,346
Expenses:							
Administration	15,482	18,752	6,738	58	2,510	43,540	48,982
Capital infrastructure contributions	-	-	-	33,389	-	33,389	3,910
Contracted services	74,910	11,231	120,048	12,927	-	219,116	211,790
Fuel and power	49,435	-	16,085	-	-	65,520	56,764
Insurance	17,278	286	5,237	979	45	23,825	21,181
Maintenance, materials and utilities	72,445	2,888	43,912	27,404	1,565	148,214	133,975
Professional and legal	3,321	26,703	2,967	7,565	473	41,029	40,893
Rentals, leases and property tax	12,882	7,583	1,859	107	1,908	24,339	24,694
Salaries, wages and benefits	443,124	41,992	100,520	1,754	30,678	618,068	587,392
Write-down of tangible capital assets	-	1,179	-	-	-	1,179	-
Expenses before amortization and interest	688,877	110,614	297,366	84,183	37,179	1,218,219	1,129,581
Amortization of tangible capital assets	85,679	16,138	68,940	21,214	200	192,171	181,663
Interest	51,533	9,708	41,455	78,954	116	181,766	172,705
	137,212	25,846	110,395	100,168	316	373,937	354,368
	826,089	136,460	407,761	184,351	37,495	1,592,156	1,483,949
Surplus (deficit), for the year	$ (823,257)	$ 1,494,189	$ (384,466)	$ (153,746)	$ (36,477)	$ 96,243	$ 668,397

17. Subsequent event:

On February 16, 2018, the Province of British Columbia announced that it will take over the Pattullo Bridge replacement project that was previously within TransLink's long term investment plan. TransLink has determined that no adjustment to the capital costs is required on the financial statements. Assessment of the future benefit of these costs will continue into the next fiscal year.