2018 Year-End Financial and Performance Report

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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

Building Transportation Excellence

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 our 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). 2018 marked the second year in Phase One of the 10-Year Vision while Phase Two of the 10-Year Vision 2018-2027 Investment Plan was approved in June 2018.

For the year ending December 31, 2018, TransLink had many notable accomplishments, including:

- Approval of the $7.3 billion Phase Two Investment Plan, the largest transit and transportation investment in Metro Vancouver's history;
- Implemented 2.5 per cent increase in conventional transit service and 5.2 per cent increase in Access Transit trips over 2017 levels – aligned with commitments in the Investment Plan;
- Record-breaking ridership growth of 6.0 per cent in journeys and 7.1 per cent in boardings over 2017;
- Improved overall customer satisfaction rating of 7.8 out of 10 compared to 7.7 in 2017;
- Launch of Tap to Pay and Compass Wristbands providing customers more convenient options to use the system;
- Expansion of Compressed Natural Gas buses for a quieter and greener fleet;
- Completion of the planned Running Rail Grinding Maintenance across the system; and
- The inaugural green bond issuance – TransLink's largest bond issuance at $400 million and the first of its kind by a Canadian transit agency.

For the year ending December 31, 2018, TransLink reported a $185.5 million surplus on a Public Sector Accounting Board (PSAB) basis. This represents an increase of $89.2 million over 2017 primarily from increased government transfers for the Conventional Bus deliveries in 2018 as part of the service expansion commitments in the 10-Year Vision.

Ridership growth continues to be driven by service expansion and service improvements committed in the 10-Year Vision combined with high employment levels and record-high fuel prices. Service expansion generated an additional 200,000 service hours to the growing Metro Vancouver region. In 2018, TransLink added more communications channels for transit riders with the Transit Alert Messaging System providing transit system alerts and Live Chat on the TransLink website.

TransLink continued to successfully deliver of the commitments in Phase Two of the 10-Year Vision's Investment Plan including: improvements to ensure the safety and reliability of our system, expansion of fleet and upgrades to stations to accommodate ridership growth and achieving full funding for future major rapid transit investments.

Key Priorities

The accomplishments of 2018 based on the three main priorities aimed to improve customer experience and public support, ensure a state of good repair and mobilize the Mayors' 10-Year Vision are highlighted below.

Priority One: 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' 10-Year Vision.

- Piloted the NightBus District to create a central and well-lit environment for riders to catch any of ten NightBus routes out of downtown Vancouver starting at 2 a.m., seven days a week.
- Completed the upgrade project at Metrotown Station with three new station houses open.
- Completed the final phase of the Transit Fare Review where over 11,000 survey responses were received and draft recommendations were completed and shared with the public.
- Completed the Transit Alert Messaging System and Live Chat website, which launched successfully in October, providing another way to engage with our customers in a timely manner.
- Received the Mayors' Council endorsement of final Fare Policy recommendations.
- Completed the upgrade of bus stop signage, implementation of "T" signs and Transit Information Panels with enhanced schedule information system-wide.
- Commenced the testing, commissioning and installation of the first Passengers Information Displays (PIDs) with the first PID to be installed on the new Commercial-Broadway station platform.
- Achieved an overall customer performance rating of 7.8 out of 10.
- Launched an updated, phase three, "anti-sex offending" awareness campaign on the transit system.
- Added new police officers to the General Investigative Unit to enable seven days a week operations and improve response times as well as the addition of a crime analyst to support proactive policing and intelligence led policing objectives.
- Initiated a new project to deliver free Wi-Fi to all transit passengers beginning in 2020 as part of a partnership with Shaw, making TransLink the first in Canada to offer free, transit-wide Wi-Fi service.
- Completed installation of Radio-Frequency Identification (RFID) technology at all fare gates across the system in support of the Universal Fare Gate Access Program, which allows passengers that cannot physically tap at fare gates to access our stations automatically.
- Developed and introduced the SkyTrain Attendant Job-Aid for front line staff, which is a communications tool installed on smartphones allowing attendants to better assist customers.
- Released Compass Wristbands to give customers another fare payment option. As evidence of the demand for this payment option, the wristbands sold out within two hours.
- Awarded five research groups totaling $250 thousand in funding grants from the newly established academic outreach funding program, New Mobility Lab.
- Implemented a customer-focused winter weather safety campaign.

Priority Two: 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.

- Implemented a five-point safety plan and three-year Safety Management System work plan at British Columbia Rapid Transit Company Ltd. (BCRTC) to build and enhance a stronger safety culture.
- Commenced the Granville Station Escalator Replacement Project to replace six, 32-year-old escalators, which is scheduled to take approximately 24 months to complete.
- Launched the start of seismic upgrades and accessibility improvements at the Waterfront Station SeaBus terminal.
- Completed the implementation of the Safety Management System at Coast Mountain Bus Company (CMBC).
- Completed Power Smart control retrofits at Vancouver Transit Centre resulting in natural gas savings.
- Completed 130 kilometres of running rail grinding system-wide to increase the life of the rail, reduce noise and increase passenger comfort.
- Added Electronic Vehicle Tracking Technology to the Transit Police fleet for situational awareness and safety, including providing timely assistance when emergency situations arise.
- Completed testing of vehicle communications router and integration of radio with on-board computers for the Transit Management and Communications (TMAC) bus radio system project.

Priority Three: Mobilize Mayors’ Vision

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

- Achieved approval for Phase Two of the Investment Plan – the largest transit and transportation investment plan in Metro Vancouver’s history.
- Implemented 159 thousand more bus service hours and 66 thousand Access Transit trips over 2017 levels.
- Launched an interactive website (Tenyearvision.translink.ca) to help detail and track the progress of the Mayors’ 10-Year Vision as well as house surveys and consultation findings.
- Made All-Door-Boarding a permanent feature, after a successful pilot on the B-Lines: 95 Hastings-SFU and 96 King George-104.
- Released a report for public consultation on the New B-Line or Better corridors to be delivered for 2019 and began testing schedules and run times for the development of the new B-Lines.
- Extended service life of existing bus fleet to provide additional service as part of planned expansion for 2018.
- Achieved record ridership in the month of October, breaking the previous record held during the 2010 Winter Olympics.
- Commenced testing of the second Mark III train arriving at the maintenance facility with revenue service expected to start in 2019.
- Delivered a municipal stakeholder workshop to review external factors that may shape the future of the region and to rate their potential impact as part of the work for the Regional Transportation Strategy.
- Hosted a post-election briefing for the newly-elected Mayors on TransLink’s mandate, the status of major projects and the 2019 key strategic priorities.

- Became the first transit agency in Canada to offer green bonds to investors as another way to finance the largest expansion to transit service in our region's history.
- Received endorsement from the Mayors' Council and TransLink Board to proceed with planning and project development for a Surrey Langley SkyTrain on the Fraser Highway corridor. Revisions to the South of Fraser rapid transit strategy followed the suspension of the Surrey-Newton-Guildford Light Rail Transit (LRT) Project based on the resolution of City of Surrey Council to end support for the project.

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 2018, financial indicators are positive with the exception of a green bond issuance that increased net direct debt from 2017. This was a planned increase to fund capital programs in the Investment Plan.

TransLink's discipline and financial management practices have resulted in continued improvements in unrestricted cash and investments, with a strong balance of $578 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 2018 by $151 million to $2.4 billion, to finance capital spending. In 2018, TransLink issued its first green bond and became the first transit agency in Canada to do so. The $400 million green bond is also the largest bond issuance since starting the financing of projects through debt capital markets in 2010.

TransLink has an expanding Capital Program with strong oversight. Tangible capital assets grew to $5.1 billion. At the end of 2018, the total capital program budget was $3.6 billion, with $1.9 billion in active projects. For the active capital projects, final forecasted costs for these projects are $36.1 million (1.9 per cent) favourable to budget.

Compared to prior year, transit ridership grew 6.0 per cent, operating costs increased 4.5 per cent, while transit revenues continued to outpace both at 8.0 per cent. Efficiency gains and effective service optimization initiatives have resulted in an improvement of 2.2 per cent in the cost recovery rate (58.1 per cent at year-end) compared to the 2017 (55.9 per cent).

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)	2014	2015	2016	2017	2018	COMPARISON TO 2017 [9] Fav / (Unfav)	 %	Compound Annual Growth Rate (CAGR) [9]
FINANCIAL INDICATORS								
Unrestricted cash and investments [1]	257	272	333	485	578	93	19.2%	22.5%
Tangible capital assets	4,512	4,607	4,868	4,907	5,079	172	3.5%	3.0%
Net direct debt [2]	1,933	1,990	2,150	2,221	2,371	(151)	(6.8%)	5.2%
Indirect P3 debt [3]	1,647	1,623	1,598	1,571	1,543	28	1.8%	(1.6%)
Total net direct debt and indirect P3 debt	3,580	3,613	3,748	3,792	3,914	(12.2)	(3.2%)	2.3%
Gross interest cost as a % of operating revenue	13.1%	12.4%	12.0%	12.2%	11.9%	0.3%	2.5%	(2.4%)
OPERATING INDICATORS								
Scheduled Transit Service								
Overall performance rating (out of 10)	7.6	7.5	7.6	7.7	7.8	0.1	1.3%	0.7%
Service hours	6.3	6.3	6.3	6.7	6.9	0.2	2.5%	2.3%
Total Cost recovery ratio [4,5]	53.7%	53.6%	54.7%	55.9%	58.1%	2.2%	4.0%	2.0%
Operating cost per capacity kilometre *[6]	$ 0.082	$ 0.084	$ 0.085	$ 0.084	$ 0.086	$ (0.002)	(2.7%)	1.0%
Complaints per million boarded passengers *	96.0	95.3	98.7	93.4	95.4	(2.0)	(2.1%)	(0.2%)
Access Transit Service								
Number of trips (thousands)	1,169	1,205	1,227	1,250	1,315	66	5.2%	3.0%
Operating cost per trip*	$ 40.30	$ 40.64	$ 40.95	$ 42.73	$ 41.34	$ 1.39	3.3%	0.6%
Number of trips denied (thousands)	16.9	1.6	3.6	1.4	0.7	0.6	46.5%	(54.4%)
Complaints per 100,000 boarded passengers*	108.0	99.7	107.7	120.2	187.3	67.1	55.8%	14.8%
Golden Ears Bridge								
Crossings [7]	11.7	12.7	13.5	15.2	n/a			
Average toll per crossing *[7]	$ 3.60	$ 3.65	$ 3.70	n/a	n/a			
Ridership								
Boarded passengers (system)	356.9	364.3	386.2	408.2	437.4	29.1	7.1%	5.2%
Revenue passengers (system) [8]	234.6	238.8	n/a	n/a	n/a			
Journeys (system) [8]	n/a	n/a	234.2	247.8	262.6	14.8	6.0%	5.9%
Average fare per revenue passenger (scheduled)*	$ 2.05	$ 2.06	n/a	n/a	n/a			
Average fare per journey (scheduled)*	n/a	n/a	$ 2.24	$ 2.31	$ 2.35	$ 0.04	1.7%	2.4%
REGIONAL INDICATORS								
Population of Service Region	2.47	2.51	2.56	2.59	2.62	0.03	1.2%	1.5%
Employment of Service Region	1.27	1.29	1.36	1.40	1.43	0.02	1.8%	2.8%

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

[5] Restated 2017 to reflect year end adjustments

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

[7] Reflects billable crossings only. 2017-2018 comparable data not available due to the elimination of GEB Tolls effective September 1, 2017

[8] Journeys have replaced revenue passengers as the new ridership methodology, therefore comparative historical figures are not available

[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 2014 is 22.5 per cent. Unrestricted cash and investments increased $93 million mainly due to an operational cash surplus and timing of capital spending.

Capital assets increased from $4.5 billion in 2014 to $5.1 billion in 2018. This represents a CAGR increase of 3.0 per cent. Compared to 2017, capital assets increased $171.9 million (3.5 per cent) mainly due to land purchases, acquisition of new buses for replacement and expansion, new SkyTrain vehicles, station upgrades and other various infrastructure and system upgrades.

Net direct debt increased by $438 million since 2014, a 5.2 per cent CAGR, to fund capital projects. Compared to 2017, net direct debt increased $151 million (6.8 per cent) due to additional borrowing to finance expected capital spending.

Indirect P3 debt declined by $104 million or 1.6 per cent CAGR since 2014. Compared to 2017, Indirect P3 debt declined by $28 million (1.8 per cent), mainly due to amortization of the Canada Line deferred concessionaire credit.

Gross interest costs as a percentage of operating revenues decreased from 13.1 per cent to 11.9 per cent over the five-year period due to lower interest rates and higher operating revenues. Compared to 2017, TransLink's gross interest costs as a percentage of operating revenues continued to decrease from 12.2 per cent to 11.9 per cent mainly due to high revenue growth. The ratio continues to be well within TransLink's 20 per cent policy limit.

Operating Indicators

Scheduled Transit Service

The overall performance rating measuring average customer satisfaction across the entire system has been increasing annually since 2015. Improvements are mainly due to:

- TransLink's continued service expansion and service reliability, including expanded rail cars to relieve overcrowding on SkyTrain;
- Increased safety measures such as additional Transit Police officers and a new communications tool for SkyTrain Attendants to better assist customers;
- Better, on-time reliable service on SkyTrain and West Coast Express; and
- Station and signage upgrades including the completion of the expansion of Metrotown station houses and completion of updated bus stop signage, "T" signs and Transit Information Panels.

Service hours increased by 2.5 per cent in 2018 over 2017, mainly as a result of significant bus service increases to reduce pass-ups and overcrowding. Over the past five years the CAGR for service hours has increased by 2.3 per cent mainly due 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 4.0 per cent compared to 2017 as revenue growth outpaced operating cost increases. There was also an increase to the cost recovery ratio over the past five years by a CAGR of 2.0 per cent mainly due to the increasing revenue trend year over year since 2014.

Operating costs per capacity kilometre increased by 1.0 per cent CAGR over the five-year period mainly due to inflationary increases. Compared to 2017, this metric was 2.7 per cent higher mainly due to higher maintenance and materials resulting from hybrid and trolley battery replacements and labour increases.

Complaints per million boarded customers increased by 2.0 to 95.4 (2.1 per cent) in 2018 over 2017. The majority of complaints relate to service delays, ventilation and cleanliness issues on vehicles, trains, stations and walkways. However, over the last five years complaints per million boarded customers decreased by a CAGR of 0.2 per cent mainly due to ongoing improvements on service expansion, safety and reliability.

Access Transit Service

An additional 65,500 trips were delivered in 2018, which represents an increase of 5.2 per cent over 2017 as a result of higher demand for service supported by the expansion committed in the Investment Plan.

Operating costs per trip increased by 0.6 per cent CAGR over the five-year period mainly due to inflationary and contractual increases offset by internal efficiencies. Operating costs per trip decreased by $1.39 (3.3 per cent) compared to 2017 mainly due to operational efficiencies where Access Transit was able to deliver more trips in 2018 while maintaining overhead and fixed costs relatively consistent with 2017. Since July 1, 2018, First Transit is the new HandyDART Service provider taking over from MVT Canadian Bus (MVT). The contract terms are different including standards tied to financial levers and more rigorous reporting and monitoring requirements, providing greater oversight and accountability for HandyDART's operations.

Trip denials decreased by 54.4 per cent CAGR since 2014 and decreased by 633 denials (46.5 per cent) as compared to 2017 mainly due to increased trips as committed in the Investment Plan.

Complaints per one hundred thousand boarded passengers increased 55.8 per cent over 2017 due to staffing shortages during the transition from MVT to First Transit. On top of the staffing shortages, there was more demand for trips during peak times than anticipated which caused scheduling and on-time performance issues. We take customer complaints very seriously and are taking measures to address the issues. A joint task force of First Transit and Access Transit CMBC team identified 15 initiatives to reduce complaints. Over the course of the contract with First Transit, customer facilitating improvements will be made including: better scheduling, dispatching of HandyDART services and online booking. First Transit has demonstrated a commitment to service excellence and a focus on continuous improvement in their operations.

Golden Ears Bridge

On September 1, 2017, the Province of British Columbia (BC) eliminated bridge tolling throughout the province, including tolls on the Golden Ears Bridge. Crossings and average toll per crossing are no longer tracked for reporting purposes.

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 2018 hit an all-time record high of 437.4 million, growing by 5.2 per cent CAGR over the five-year period and 7.1 per cent over 2017.

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 262.6 million growing by 6.0 per cent over 2017.

The exceptional growth in Boardings and Journeys are a result of improved transit service, a strong economy with low unemployment and higher gas prices in the first half of the year, influencing commuters to use more public transportation. Ridership growth continued throughout the year suggesting that the July 1, 2018 transit fare increase did not negatively impact customer behaviour.

The Average Fare per Journey in 2018 was $2.35 which is $0.04 (1.7 per cent) higher than 2017 mainly due to the fare increases rolled out on July 1, 2018.

3. Consolidated Statement of Operational Analysis

CONSOLIDATED REVENUES AND EXPENSES

	YEAR OVER YEAR				ACTUAL TO BUDGET		
Year ended December 31	2018	2017	COMPARISON TO 2017		2018	COMPARISON TO BUDGET	
($ thousands)	ACTUAL	ACTUAL	FAV/ (UNFAV)	%	BUDGET [2]	FAV/ (UNFAV)	%
Revenue							
Taxation	819,354	821,333	(1,979)	(0.2%)	855,072	(35,718)	(4.2%)
Transit	638,015	590,964	47,051	8.0%	606,805	31,210	5.1%
Government transfers	303,498	166,902	136,596	81.8%	424,078	(120,580)	(28.4%)
Golden Ears Bridge tolling	-	29,743	(29,743)	(100.0%)	-	-	-
Investment income	53,203	50,278	2,925	5.8%	48,189	5,014	10.4%
Amortization of deferred concessionaire credit	23,273	23,274	(1)	(0.0%)	23,337	(64)	(0.3%)
Miscellaneous revenue	11,894	7,009	4,885	69.7%	6,036	5,858	97.1%
Sub Total Continuing Operations	**1,849,237**	**1,689,503**	**159,734**	**9.5%**	**1,963,517**	**(114,280)**	**(5.8%)**
Loss on disposal of tangible capital assets	(34)	(1,104)	1,070	(96.9%)	(447)	413	(92.4%)
Total Revenue	**1,849,203**	**1,688,399**	**160,804**	**9.5%**	**1,963,070**	**(113,867)**	**(5.8%)**
Expenses							
Bus Operations	724,883	688,877	(36,006)	(5.2%)	731,703	6,820	0.9%
Corporate Operations	96,795	97,974	1,179	1.2%	100,173	3,378	3.4%
Rail Operations	309,195	297,366	(11,829)	(4.0%)	308,576	(619)	(0.2%)
Roads and Bridges	91,210	84,183	(7,027)	(8.3%)	104,256	13,046	12.5%
Transit Police	38,308	37,179	(1,129)	(3.0%)	38,765	457	1.2%
Amortization of tangible capital assets [1]	197,854	192,171	(5,683)	(3.0%)	214,436	16,582	7.7%
Interest [1]	183,459	181,766	(1,693)	(0.9%)	179,267	(4,192)	(2.3%)
Sub Total Continuing Operations	**1,641,704**	**1,579,516**	**(62,188)**	**(3.9%)**	**1,677,176**	**35,472**	**2.1%**
Corporate One-time	22,029	12,640	(9,389)	(74.3%)	32,755	10,726	32.7%
Total Expenses	**1,663,733**	**1,592,156**	**(71,577)**	**(4.5%)**	**1,709,931**	**46,198**	**2.7%**
Surplus for the Year	**185,470**	**96,243**	**89,227**	**92.7%**	**253,139**	**(67,669)**	**(26.7%)**

[1] Amortization and Interest shown separately to facilitate analysis

[2] Budget reallocated due to approved contingency

TransLink ended the 2018 year with a $185.5 million surplus. The increase over prior year was mainly attributed to higher government transfers from the Greater Vancouver Regional Fund. Transit revenues continue to exceed expectations and reached record-high ridership in 2018 mainly due to service expansion, high employment levels and higher fuel prices.

Expenses increased over prior year are mainly due to service expansion of Conventional Bus and SkyTrain. Compared to budget, expenses were favourable mainly as a result of low use of contingency funds, lower than expected amortization with a lower number of vehicle deliveries than planned and timing of capital infrastructure contributions to municipalities.

Details of the variances are provided in the following analysis.

Consolidated Revenues – Comparison to 2017

Year ended December 31 ($ thousands)	ACTUAL 2018	 2017	COMPARISON TO 2017 Fav/ (Unfav)	 %
Taxation	819,354	821,333	(1,979)	(0.2%)
Transit	638,015	590,964	47,051	8.0%
Government transfers				
Senior Government Funding	245,632	148,270	97,362	65.7%
Golden Ears Bridge Tolling Replacement Revenue	57,866	18,632	39,234	210.6%
Golden Ears Bridge tolling	-	29,743	(29,743)	(100.0%)
Investment income	53,203	50,278	2,925	5.8%
Amortization of deferred concessionaire credit	23,273	23,274	(1)	(0.0%)
Miscellaneous revenue	11,894	7,009	4,885	69.7%
Sub Total Continuing Operations	1,849,237	1,689,503	159,734	9.5%
Loss on disposal of tangible capital assets	(34)	(1,104)	1,070	96.9%
Total Revenue	**1,849,203**	**1,688,399**	**160,804**	**9.5%**

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, transit fares and government transfers. Total revenues increased from $1.7 billion in 2017 to $1.8 billion in 2018, mainly due to increased government funding and transit revenue, which increased by $97.4 million (65.7 per cent) and $47.1 million (8.0 per cent), respectively.

The strong economy, high employment rates and high gas prices have led to higher demand for public transportation. Service expansion implemented throughout 2018 led to record ridership levels with 437.4 million boardings and 262.6 million journeys.

Taxation

Year ended December 31 ($ thousands)	ACTUAL 2018	 2017	COMPARISON TO 2017 Fav/ (Unfav)	 %
Fuel tax	351,338	373,780	(22,442)	(6.0%)
Property tax	355,838	339,124	16,714	4.9%
Parking Rights tax	73,201	70,019	3,182	4.5%
Hydro levy	21,088	20,576	512	2.5%
Replacement tax	17,889	17,834	55	0.3%
Total Taxation	**819,354**	**821,333**	**(1,979)**	**(0.2%)**

Total taxation revenues were $2.0 million (0.2 per cent) lower than 2017, mainly due to lower fuel tax revenues. This was offset with increases in property tax and parking rights tax revenue.

Fuel tax revenue decreased by $22.4 million (6.0 per cent) compared to 2017, driven by lower volumes of diesel and gasoline consumed in the region (2.8 per cent lower than 2017), which is consistent with the trend of decreasing Vehicle Kilometres Traveled (VKT). In the first half of 2018, Metro Vancouver witnessed record high fuel prices as a result of a refinery shut down, which led to a significant drop in fuel tax revenue as consumers looked outside the region to purchase fuel.

Property tax revenue increased by $16.7 million (4.9 per cent) compared to 2017 due to legislative increases in taxation from existing properties as well as from new development and construction growth.

Parking rights tax revenue increased by $3.2 million (4.5 per cent) over 2017 mainly due to volume growth within existing properties and parking rate increases.

Transit

Year ended December 31	ACTUAL		COMPARISON TO 2017	
($ thousands)	2018	2017	Fav/ (Unfav)	%
Fares	494,749	456,660	38,089	8.3%
Program	118,635	112,058	6,577	5.9%
Total Fares	613,384	568,718	44,666	7.9%
Other transit	24,631	22,246	2,385	10.7%
Total Transit	**638,015**	**590,964**	**47,051**	**8.0%**

Total transit revenue includes fares, program and other transit related revenue such as transit advertising, Park and Ride and fare infraction revenue. Total transit revenue in 2018 was $638.0 million, an increase of $47.1 million (8.0 per cent) over 2017.

In 2018, total revenue from fares was $494.8 million which is $38.1 million (8.3 per cent) higher than 2017. The increase is a result of the major service expansion rolled out in 2018 as part of the Investment Plan. Total ridership reached an all-time record high of 437.4 million boardings (7.1 per cent increase over 2017) equivalent to 262.6 million journeys across the entire system (6.0 per cent increase over 2017).

Program revenue includes revenues from U-Pass BC and the BC Government Bus Pass programs. In 2018, program revenue totalled $118.6 million, which is $6.6 million (5.9 per cent) higher than 2017 mainly due to increased participation in both programs.

Other transit revenue totalled $24.6 million in 2018 which equated to a $2.4 million (10.7 per cent) increase over 2017. This was 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.

Government Transfers

Government transfers include funds received from the Federal Gas Tax, Canada Line funding, Building Canada Fund, Public Transit Infrastructure Fund and other miscellaneous programs such as the City of Richmond contributions for Capstan Station. In addition, there is funding provided by the Province of BC in lieu of tolling revenue on the Golden Ears Bridge as bridge tolling was eliminated on September 1, 2017.

Total government transfers were $136.6 million (81.8 per cent) higher than 2017, as there were more Conventional Bus deliveries than in 2017, attracting more Federal Gas Tax transfers to fund those projects.

Golden Ears Bridge Tolling

On September 1, 2017, the Province of BC eliminated bridge tolling throughout the province, including tolls on the Golden Ears Bridge. Funds in lieu of tolling revenue are reported as government transfers.

Investment Income

Investment income was $2.9 million (5.8 per cent) higher than 2017 mainly due to higher interest rates well as higher cash balance and investment holdings.

Miscellaneous Revenue

Miscellaneous revenue increased $4.9 million (69.7 per cent) over 2017, primarily driven by a one-time receipt of $4.1 million for a contract penalty payment. The remainder was due to recoveries from external parties, such as Transit Police officers that were seconded to other agencies.

Gain (Loss) on Disposal of Assets

There has been a minimal net loss on disposal of assets due to a current year gain on vehicle disposals, offset by a loss on BCRTC capital spares disposal. This represents a reduction of $1.1 million (96.9 per cent) compared to 2017.

Consolidated Revenues – Comparison to Budget

Year ended December 31 ($ thousands)	ACTUAL 2018	BUDGET 2018	COMPARISON TO BUDGET Fav/ (Unfav)	 %
Taxation	819,354	855,072	(35,718)	(4.2%)
Transit	638,015	606,805	31,210	5.1%
Government transfers				
Senior Government Funding	245,632	366,212	(120,580)	(32.9%)
Golden Ears Bridge Tolling Replacement Revenue	57,866	57,866	-	-
Investment income	53,203	48,189	5,014	10.4%
Amortization of deferred concessionaire credit	23,273	23,337	(64)	(0.3%)
Miscellaneous revenue	11,894	6,036	5,858	97.1%
Sub Total Continuing Operations	1,849,237	1,963,517	(114,280)	(5.8%)
Loss on disposal of tangible capital assets	(34)	(447)	413	92.4%
Total Revenue	**1,849,203**	**1,963,070**	**(113,867)**	**(5.8%)**

Total revenue was $113.9 million (5.8 per cent) unfavourable to budget mainly due to a timing difference of government transfers. Taxation revenue was $35.7 million (4.2 per cent) unfavourable to budget. This was driven by a decrease in fuel sale volume due to record high fuel prices in the region. These unfavourable variances were partly offset by a $31.2 million (5.1 per cent) favourable variance in transit revenue attributable to higher than anticipated ridership.

Taxation

Year ended December 31 ($ thousands)	ACTUAL 2018	BUDGET 2018	COMPARISON TO BUDGET Fav/ (Unfav)	 %
Fuel tax	351,338	388,409	(37,071)	(9.5%)
Property tax	355,838	355,882	(44)	(0.0%)
Parking Rights tax	73,201	71,523	1,678	2.3%
Hydro levy	21,088	21,258	(170)	(0.8%)
Replacement tax	17,889	18,000	(111)	(0.6%)
Total Taxation	**819,354**	**855,072**	**(35,718)**	**(4.2%)**

Total taxation revenue for 2018 at $819.4 million was $35.7 million (4.2 per cent) unfavourable to budget.

Fuel tax revenue was $37.1 million (9.5 per cent) unfavourable to budget. This was as a result of record high fuel prices in the first half of 2018 as a result of a refinery shut down, which caused consumers to look outside the region to purchase fuel.

All other taxation revenues were consistent with budget, with the exception of parking rights tax revenue which exceeded budget by $1.7 million (2.3 per cent) mainly due to higher parking volumes and increased parking rates.

Transit

Year ended December 31	ACTUAL	BUDGET	COMPARISON TO BUDGET	
($ thousands)	2018	2018	Fav/ (Unfav)	%
Fares	494,749	471,241	23,508	5.0%
Program	118,635	113,930	4,705	4.1%
Total Fares	613,384	585,171	28,213	4.8%
Other transit	24,631	21,634	2,997	13.9%
Total Transit	**638,015**	**606,805**	**31,210**	**5.1%**

Total transit revenues were $31.2 million (5.1 per cent) favourable to budget as a result of record ridership and increased program participation.

Other transit revenue was $3.0 million (13.9 per cent) favourable to budget due to increased revenues from property rentals, advertising and TransLink's sale of carbon tax credits.

Government Transfers

Government transfers include funds provided by the Province of BC in lieu of foregone Golden Ears Bridge tolling since September 1, 2017.

Total government transfers were $120.6 million (28.4 per cent) unfavourable to budget mainly due to the deferral of planned projects. Major revenue vehicle replacement projects funded by Federal Gas Tax were delayed to 2019. Changes in vehicle propulsion systems increased lead time of ordering and delivery, resulting in a corresponding deferral of government transfers.

Investment Income

Investment income was $5.0 million (10.4 per cent) favourable to budget mainly due to higher interest rates on cash and higher investment holdings.

Miscellaneous Revenue

Miscellaneous revenue was $5.9 million (97.1 per cent) favourable to budget mainly due to one-off receipt of $4.1 million for a contract penalty payment. The remaining favourable variance was driven by higher than expected recoveries.

Gain (Loss) on Disposal of Assets

Loss on disposal of assets was $0.4 million favourable to budget as a result of a gain on vehicle disposals.

Consolidated Expenses – Comparison to 2017

(BY SEGMENT)

Year ended December 31	ACTUAL		COMPARISON TO 2017	
($ thousands)	2018	2017	Fav/ (Unfav)	%
Bus Operations	724,883	688,877	(36,006)	(5.2%)
Corporate Operations	96,795	97,974	1,179	1.2%
Rail Operations	309,195	297,366	(11,829)	(4.0%)
Roads and Bridges	91,210	84,183	(7,027)	(8.3%)
Transit Police	38,308	37,179	(1,129)	(3.0%)
Amortization of tangible capital assets [1]	197,854	192,171	(5,683)	(3.0%)
Interest [1]	183,459	181,766	(1,693)	(0.9%)
Sub Total Continuing Operations	1,641,704	1,579,516	(62,188)	(3.9%)
Corporate One-time	22,029	12,640	(9,389)	(74.3%)
Total Expenses by Segment	**1,663,733**	**1,592,156**	**(71,577)**	**(4.5%)**

[1] Amortization and Interest shown separately to facilitate analysis

Bus Operations operating expenses were $36.0 million (5.2 per cent) higher than 2017 mainly due to additional operating costs for service expansion delivered in 2018 as part of the Investment Plan. These include impacts of labour, contractual and economic increases as well as higher vehicle maintenance costs, increases in fuel prices, higher vehicle insurance rates, increased telecom, network and software requirements, partly offset by savings in benefit costs.

Corporate Operations expenses decreased by $1.2 million (1.2 per cent) over 2017 mainly due to the reclassification of feasibility studies to Corporate One-time and lower contractual costs due to performance abatements. The decrease is partly offset by contractual and economic labour increases, rent increases, higher property taxes and increased telecom, network and software requirements.

Rail Operations expenses were $11.8 million (4.0 per cent) higher than 2017 mainly due to labour, contractual and economic increases, increased staffing to support projects, maintenance and safety initiatives, increased maintenance activities to ensure a state of good repair, higher diesel prices related to the West Coast Express and increased telecom, network and software requirements.

Roads and Bridges expenses were $7.0 million (8.3 per cent) higher in 2018 mainly due to an increase in capital contributions to municipalities and increased operations, maintenance and rehabilitation funding for the Major Road Network expansion as committed in the Investment Plan as well as a one-time write-off of Golden Ears Bridge uncollectible accounts. The increase is partly offset by lower contractor payments due to the elimination of tolls and the transfer of ownership for the Pattullo Bridge replacement project to the Province.

Transit Police expenses were $1.1 million (3.0 per cent) higher in 2018 mainly due to an increase in software licensing costs and overtime costs required to meet staffing minimums for patrols due to vacancies. The increase is partly offset by lower legal costs and reduced police equipment purchases.

Amortization expense increased by $5.7 million (3.0 per cent) over 2017 as a result of a $148.9 million increase in depreciable tangible capital assets. Main asset additions in 2018 were new buses for replacement and expansion, new SkyTrain vehicles, station upgrades and other various infrastructure and system upgrades.

Interest expense was $1.7 million (0.9 per cent) higher than the prior year due to higher outstanding debt, higher borrowing rates and lower capitalization of interest due to the timing of capital spending.

Corporate One-time expenses were higher by $9.4 million (74.3 per cent) compared to 2017. Larger one-time costs were incurred in 2018 including a one-time write-off of previously capitalized Pattullo Bridge costs ($8.3 million) due to the transfer of the bridge replacement project to the Province and initiatives such as the Regional Transportation Strategy and B-Line expansion project which had not incurred costs in 2017.

Consolidated Expenses – Comparison to Budget

(BY SEGMENT)

Year ended December 31	ACTUAL	BUDGET [2]	COMPARISON TO BUDGET	
($ thousands)	2018	2018	Fav/ (Unfav)	%
Bus Operations	724,883	731,703	6,820	0.9%
Corporate Operations	96,795	100,173	3,378	3.4%
Rail Operations	309,195	308,576	(619)	(0.2%)
Roads and Bridges	91,210	104,256	13,046	12.5%
Transit Police	38,308	38,765	457	1.2%
Amortization of tangible capital assets [1]	197,854	214,436	16,582	7.7%
Interest [1]	183,459	179,267	(4,192)	(2.3%)
Sub Total Continuing Operations	1,641,704	1,677,176	35,472	2.1%
Corporate One-time	22,029	32,755	10,726	32.7%
Total Expenses by Segment	**1,663,733**	**1,709,931**	**46,198**	**2.7%**

[1] Amortization and Interest shown separately to facilitate analysis

[2] Budget reallocated due to approved contingency

Bus Operations operating expenses were $6.8 million (0.9 per cent) favourable to budget mainly due to lower employer-paid benefit costs and lower labour costs from vacancies. These savings were partly offset by higher vehicle repair costs, overtime costs for vacancy coverage, higher vehicle insurance premiums and higher fuel costs.

Corporate Operations operating expenditures were $3.4 million (3.4 per cent) favourable to budget mainly due to contractual savings related to performance abatements, lower professional fees and vacancy savings.

Rail Operations operating expenses were $0.6 million (0.2 per cent) unfavourable to budget mainly due to higher train and rail maintenance activities, increased insurance premiums, higher diesel prices related to West Coast Express, lower salary capitalization and increased overtime to support operations and maintenance. These increases were partly offset by vacancy savings and lower West Coast Express contract costs.

Roads and Bridges spending was $13.0 million (12.5 per cent) favourable to budget mainly due to timing of capital infrastructure contributions to municipalities and lower than anticipated bridge operating maintenance costs. The lower payment to Golden Ears Bridge contractors is partly offset by the write-off of uncollectible accounts due to the elimination of tolling.

Transit Police operating expenditures were $457 thousand (1.2 per cent) favourable to budget mainly due to vacancy savings, savings in radio communication costs, and lower than expected software licensing and property rental costs. These savings were partly offset by overtime costs required to meet staffing minimums for patrol and higher vehicle and facility maintenance costs.

Amortization expense was $16.6 million (7.7 per cent) favourable to budget mainly due to lower vehicle deliveries in 2018, changes in the estimated useful lives of the Richmond and Vancouver Transit Centers and timing of project capitalization including station upgrades at Commercial-Broadway and Surrey Central Stations.

Interest expense was $4.2 million (2.3 per cent) unfavourable to budget mainly due to lower capitalization of interest due to timing of capital spending, partly offset by the effect of lower interest rates as compared to budgeted rates.

Corporate One-time costs were $10.7 million (32.7 per cent) favourable to budget mainly due to unused operating contingency funding and the timing of project activities, partly offset by the write-off of Pattullo Bridge capitalized costs ($8.3 million) due to the transfer of the bridge replacement project.

Consolidated Expenses by Category – Comparison to 2017

Year ended December 31	2018 Actual			2017 Actual			Ongoing Expenses	
($ thousands)	Ongoing	One-time [1]	Total	Ongoing	One-time [1]	Total	Fav/ (Unfav)	%
Administration	48,181	1,361	49,542	41,714	1,826	43,540	(6,467)	(15.5%)
Amortization of tangible capital assets	197,854	-	197,854	192,171	-	192,171	(5,683)	(3.0%)
Capital infrastructure contributions	40,416	-	40,416	33,389	-	33,389	(7,027)	(21.0%)
Contracted services	220,349	-	220,349	219,116	-	219,116	(1,233)	(0.6%)
Fuel and power	71,706	-	71,706	65,520	-	65,520	(6,186)	(9.4%)
Insurance	24,142	-	24,142	23,825	-	23,825	(317)	(1.3%)
Interest	183,459	-	183,459	181,766	-	181,766	(1,693)	(0.9%)
Maintenance, materials and utilities	163,271	335	163,606	148,078	136	148,214	(15,193)	(10.3%)
Professional and legal	20,018	10,751	30,769	30,569	10,460	41,029	10,551	34.5%
Rentals, leases and property tax	26,938	-	26,938	24,339	-	24,339	(2,599)	(10.7%)
Salaries, wages and benefits	645,370	1,283	646,653	617,850	218	618,068	(27,520)	(4.5%)
Write-down of tangible capital assets	-	8,299	8,299	1,179	-	1,179	1,179	1.0
Total Expenses by Category	**1,641,704**	**22,029**	**1,663,733**	**1,579,516**	**12,640**	**1,592,156**	**(62,188)**	**(3.9%)**

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

Ongoing Expenses

Administration costs increased $6.5 million (15.5 per cent) over 2017 mainly due to the write-off of uncollectible accounts and increased telecom, network and software requirements.

Amortization expense increased by $5.7 million (3.0 per cent) over 2017 mainly due to capital asset additions, including new buses for replacement and expansion, new SkyTrain vehicles, station upgrades and other infrastructure and system upgrades.

Capital infrastructure contributions increased by $7.0 million (21.0 per cent) mainly due to an increase in capital contributions to municipalities.

Contracted services increased by $1.2 million (0.6 per cent) over 2017 mainly due to increased HandyDART trips, higher operator labour and contractual costs, inflationary increases, higher maintenance costs and fuel prices, partly offset by lower contracted services related to the elimination of tolling for the Golden Ears Bridge.

Fuel and power costs increased by $6.2 million (9.4 per cent) over the prior year mainly due to higher gasoline and diesel prices and additional service kilometres as part of the service expansion.

Insurance costs increased by $317 thousand (1.3 per cent) over 2017 mainly due to higher vehicle insurance rates.

Interest expense was $1.7 million (0.9 per cent) higher than the prior year due to higher outstanding Debt, increased borrowing rates and lower capitalization of interest due to timing of capital spending.

Maintenance, materials and utilities increased by 15.2 million (10.3 per cent) over 2017 mainly due to higher costs for hybrid and Trolley bus battery replacements, higher operations, maintenance and rehabilitation costs as a result of increased lane-kilometres with the Major Road Network and an increase in state of good repair costs.

Professional and legal fees decreased by 10.6 million (34.5 per cent) over 2017 mainly due to lower costs relating to the Pattullo Bridge replacement as the project was transferred to the Government of British Columbia in February 2018, reclassification of costs to Corporate One-time and lower environmental remediation costs for the Oakridge Transit Centre.

Rentals, leases and property tax expenses increased by $2.6 million (10.7 per cent) over the prior year mainly due to the annualized impact of property rentals that started part way through 2017, higher occupancy costs and increase in property tax assessments.

Salaries and wages increased $27.5 million (4.5 per cent) over the prior year mainly due to bus and rail service expansion, as well as contractual and economic labour increases.

Consolidated Expenses by Category – Comparison to Budget

Year ended December 31	2018 Actual			2018 Budget			Ongoing Expenses	
($ thousands)	Ongoing	One-time [1]	Total	Ongoing	One-time [1]	Total	Fav/ (Unfav)	%
Administration	48,181	1,361	49,542	48,444	650	49,094	263	0.5%
Amortization of tangible capital assets	197,854	-	197,854	214,436	-	214,436	16,582	7.7%
Capital infrastructure contributions	40,416	-	40,416	53,212	-	53,212	12,796	24.0%
Contracted services	220,349	-	220,349	226,686	-	226,686	6,337	2.8%
Fuel and power	71,706	-	71,706	69,807	-	69,807	(1,899)	(2.7%)
Insurance	24,142	-	24,142	24,508	-	24,508	366	1.5%
Interest	183,459	-	183,459	179,267	-	179,267	(4,192)	(2.3%)
Maintenance, materials and utilities	163,271	335	163,606	157,246	-	157,246	(6,025)	(3.8%)
Professional and legal	20,018	10,751	30,769	20,574	20,113	40,687	556	2.7%
Rentals, leases and property tax	26,938	-	26,938	27,735	-	27,735	797	2.9%
Salaries, wages and benefits	645,370	1,283	646,653	655,261	11,992	667,253	9,891	1.5%
Write-down of tangible capital assets	-	8,299	8,299	-	-	-	-	-
Total Expenses by Category	**1,641,704**	**22,029**	**1,663,733**	**1,677,176**	**32,755**	**1,709,931**	**35,472**	**2.1%**

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

Ongoing Expenses

Administration costs were $263 thousand (0.5 per cent) favourable to budget mainly due to lower than expected fare media costs as more customers are switching from Single Use tickets to reusable Compass cards and lower than expected network and software operating costs, partly offset by write-off of uncollectible accounts.

Amortization expense was $16.6 million (7.7 per cent) favourable to budget mainly due to the number of vehicle deliveries in 2018 being lower than expected, changes in the estimated useful lives of the Richmond and Vancouver Transit Centers and timing of project capitalization including station upgrades at Commercial-Broadway and Surrey Central Stations.

Capital infrastructure contributions were favourable by $12.8 million (24.0 per cent) primarily due to timing of capital infrastructure contributions to municipalities.

Contracted services were $6.3 million (2.8 per cent) favourable to budget mainly due to lower than expected costs for Golden Ears Bridge tolling services and contractual savings.

Fuel and power costs were $1.9 million (2.7 per cent) unfavourable to budget mainly higher than planned gasoline and compressed natural gas (CNG) usage and higher fuel prices.

Insurance was favourable to budget $366 thousand (1.5 per cent) mainly due to lower than expected claims to TransLink's Transportation Property Casualty Company (TPCC).

Interest expense was $4.2 million (2.3 per cent) unfavourable to budget mainly due to lower capitalization of interest from the timing of capital spending, partly offset by the effect of lower than budgeted interest rates.

Maintenance, materials and utilities expenses were $6.0 million (3.8 per cent) unfavourable to budget mainly due to increased material costs for major vehicle component repairs, higher hybrid and Trolley battery replacements than planned, higher building maintenance and janitorial costs, higher snow removal costs and higher train and rail maintenance costs for state of good repair initiatives.

Professional and legal fees were $556 thousand (2.7 per cent) favourable to budget mainly due to savings from the timing of projects partly offset by higher than expected environmental remediation costs for the Oakridge Transit Centre and higher consultant costs to backfill vacancies.

Rentals, leases and property tax expenses were $797 thousand (2.9 per cent) favourable to budget mainly due to lower than expected property tax assessments.

Salaries and wages were $9.9 million (1.5 per cent) favourable to budget mainly due to lower employer-paid benefit costs and vacancy savings.

4. Capital Program

TransLink's investment in capital assets continues to grow with the focus of supporting enterprise priorities. The capital program is robust and managed with strong governance and oversight. As of December 31, 2018, TransLink's total capital program budget was $3.6 billion, including:

- $1.9 billion in active capital projects;
- $63.2 million in Approved-In-Principle (AIP) capital projects;
- $978.7 million in substantially complete capital projects; and
- $317.5 million in capital infrastructure contributions to municipalities.

SUMMARY OF CAPITAL PROGRAM As of December 31, 2018 ($ thousands)	Number of Projects	Total Program Budget	2018 Total Spending	Senior Government Funding (Committed)
Capital Projects				
Active	126	1,913,637	395,113	1,155,471
AIP	19	63,195	-	6,760
Subtotal	**145**	**1,976,832**	**395,113**	**1,162,231**
Substantially Complete	71	978,713	40,707	328,016
Closed	31	285,683	2,331	155,090
Cancelled	4	16,160	-	-
Subtotal	**106**	**1,280,556**	**43,038**	**483,106**
Capital Infrastructure Contributions - Active				
Active	20	317,515	36,584	-
Subtotal	**20**	**317,515**	**36,584**	**-**
Total Capital Program	**271**	**3,574,903**	**474,735**	**1,645,337**

The capital program is supported in part by $1.6 billion in committed funding available to TransLink from the Federal Gas Tax Fund, Public Transit Infrastructure Fund (PTIF) and Building Canada Fund (BCF). External funding programs apply to eligible projects within the capital program. For the Federal Gas Tax Fund, TransLink receives approval and funding in advance of project initiation. These funds are held in restricted cash and treated as deferred government transfers until costs are incurred in the approved projects, at which time funds are released to general operating funds and government transfers revenue is recognized. For PTIF and BCF, TransLink incurs the costs of the projects which are recovered through invoicing the Province for the portion that is funded per the respective agreements.

Active and Substantially Complete Capital Projects

As of December 31, 2018, there were 197 active or substantially complete projects with a final forecasted cost of $2.9 billion. In the 2018 Business Plan, the cash flows for capital projects were expected to be $928.6 million for the year. The total actual cash flows for projects during the year were $435.8 million (47.0 per cent) of planned cash flows due largely to shifts of expenditures to 2019. The shift is mainly due to a propulsion change in type of buses being ordered which delayed contracts being secured, projects requiring further design work, delays in permit approvals and contract milestone payment schedules being revised.

SUMMARY OF ACTIVE PROJECTS As of December 31, 2018 ($ thousands)	Number of Projects	Current Budget	2018 YTD Spending	Cumulative Spending to Date	Final Forecast Cost	Forecast Variance to Current Budget Fav/(Unfav)	 %	Senior Government Funding (Committed)
Active								
Equipment	18	126,192	8,088	9,752	121,194	4,998	4.0%	44,253
Infrastructure	65	724,943	115,664	257,168	710,005	14,939	2.1%	233,087
Major Construction	2	72,876	37,624	56,608	66,989	5,887	8.1%	33,000
Technology	16	49,006	8,553	18,288	44,883	4,123	8.4%	-
Vehicle	25	940,620	225,184	402,865	934,514	6,106	0.6%	845,131
Subtotal (Active Capital Projects)	**126**	**1,913,637**	**395,113**	**744,680**	**1,877,585**	**36,053**	**1.9%**	**1,155,471**
Substantially Complete	**71**	**978,713**	**40,707**	**949,051**	**957,920**	**20,793**	**2.1%**	**328,016**
Total Active Capital Projects	**197**	**2,892,350**	**435,820**	**1,693,731**	**2,835,505**	**56,846**	**2.0%**	**1,483,487**

Active Capital Projects

As of December 31, 2018, there were 126 active projects with expenditures of $395.1 million in 2018 and $744.7 million in cumulative spending to date. A comparison of project budgets against forecasted final costs show a favourable variance of $36.1 million (1.9 per cent).

Infrastructure spending of $115.7 million year to date includes a total of $49.6 million spent on SkyTrain station upgrade projects for Commercial-Broadway, Joyce-Collingwood, Surrey Central and Canada Line stations. These upgrades will improve customer experience once completed as they address station circulation and system capacity issues.

Vehicle spending of $225.2 million for the year 2018 related mainly to the procurement of Mark III SkyTrain vehicles, Canada Line vehicles and Conventional Bus Replacements accounting for $211.8 million of the total spend. These projects add to the existing rail and bus fleet to support further service increases and maintain a state of good repair. The total expected external funding for vehicles from senior government sources is $845.1 million.

Major Construction spending of $37.6 million for 2018 included the Surrey-Newton-Guildford LRT and Broadway Subway projects. In Fall 2018, the Surrey-Newton-Guildford LRT project was suspended due to a change in the South of Fraser rapid transit strategy based on the resolution of City of Surrey Council to end support for the Surrey-Newton-Guildford LRT project. The Broadway Subway project is being delivered by the Province of BC.

Substantially Complete Capital Projects

As of December 31, 2018, there are 71 projects with a total budget of $978.7 million deemed substantially complete with $40.7 million spent in 2018. These projects are in the final stages of project activity with $8.9 million in forecasted costs remaining. The total expected favourable variance for these projects at completion is $20.8 million (2.1 per cent) mainly due to the Millennium Line Evergreen Extension Integration, Metrotown and New Westminster Station upgrades, the Open Payment Acceptance at Compass and 2nd Replacement SeaBus projects all expected to complete under budget.

Other notable substantially complete projects include:

- Hamilton Transit Centre;
- Expo Line Propulsion Power Upgrade; and
- Main Street SkyTrain Station Upgrade.

Approved in Principle (AIP) Capital Projects

In the fourth quarter, seven projects were initiated and the remaining AIP projects are expected to be initiated in 2019. As of December 31, 2018, there were 19 AIP projects with a total budget of $63.2 million remaining to be initiated. Of the 19 projects not initiated, 10 projects with a budget of $29.5 million were carried forward from the 2017 capital program and the remaining 9 projects with a budget of $33.7 million were from the 2018 capital program.

SUMMARY OF AIP PROJECTS As of December 31, 2018 ($ thousands)	Number of Projects	Current Budget	Senior Government Funding (Committed)
Infrastructure	13	52,994	6,760
Technology	6	10,201	-
Total AIP Projects	**19**	**63,195**	**6,760**

The projects remaining in AIP include bus exchange upgrades, as well as SkyTrain facility and systems improvements.

Closed Capital Projects

As of December 31, 2018, 31 projects with a final cost of $282.8 million and an approved budget of $285.7 million were completed and closed. Significant projects closed this year, include Replacement Buses, TransLink Head Office Relocation Project and the West Coast Express Rail Car Lease Buyout.

Cancelled Capital Projects

As of December 31, 2018, four AIP projects with a total budget of $16.2 million were cancelled which included the Pattullo Bridge Procurement Readiness & Environmental Work project for $13.9 million as the Province will be responsible for the new Pattullo Bridge Replacement project. After review and prioritization of the 2018 capital program, other project cancellations included the Train Radio Information Management System (TRIMS) Upgrade Project ($1.5 million), Data Warehouse Business Intelligence Program 2017 ($500 thousand) and the Enterprise Financial System Multi-Currency Enablement ($210 thousand).

Capital Infrastructure Contributions

These expenditures consist of contributions to municipalities for the rehabilitation and upgrade of the Major Roads Network as well as pedestrian and bike pathways. TransLink does not own these underlying assets and contributions are expensed in the year they are incurred.

As of December 31, 2018, there were 20 active programs with a budget of $317.5 million. In the 2018 Business Plan, the cash flows for capital infrastructure contributions were expected to be $52.6 million for the year. The total actual cash flows for capital infrastructure contributions during the year were $36.6 million (69.6 per cent).

5. Changes in Financial Position

Financial Assets

As at December 31

($ thousands)	2018	2017	Change	%
Cash and cash equivalents	517,022	424,010	93,012	21.9%
Accounts receivable	250,598	120,852	129,746	107.4%
Loans receivable	250,734	310,197	(59,463)	(19.2%)
Restricted cash and cash equivalents and investments	979,894	780,240	199,654	25.6%
Investments	61,173	60,951	222	0.4%
Debt reserve deposits	29,421	32,754	(3,333)	(10.2%)
Financial Assets	2,088,842	1,729,004	359,838	20.8%

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

The increase in accounts receivable of $129.7 million (107.4 per cent) was mainly due to higher cost recoveries related to TransLink delivering capital projects under funding agreements with the Provincial and Federal Governments. See "Capital Program" section for project activities.

Loan receivable represents the net present value of future payments of proceeds from the 2016 sale of the Oakridge Transit Centre. The decrease of $59.5 million (19.2 per cent) was attributable to the installment payment received during the year, partially offset by interest earned on the outstanding balance.

Restricted Cash and Investments

As at December 31

($ thousands)	2018	2017	Change	%
Government transfers for capital project funding	533,538	408,962	124,576	30.5%
TPCC's Investments	25,095	23,127	1,968	8.5%
Green Bond Proceeds	11,688	-	11,688	-
Land reserve	145,330	138,888	6,442	4.6%
Sub-total	715,651	570,977	144,674	25.3%
Total self administered sinking funds	264,243	209,263	54,980	26.3%
Total	979,894	780,240	199,654	25.6%

Restricted cash and investments include unspent government transfers, self-administered sinking funds, land reserve funds, unspent proceeds of green bond issuance and funds segregated for TransLink's Captive Insurance corporation (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 (now known as the Investment Plan) should not liquidate capital assets to fund operations.

The increase in restricted cash and investments of $199.7 million (25.6 per cent) was mainly due to additional funding received during the year specifically for capital projects.

Liabilities

As at December 31 ($ thousands)	2018	2017	Change	%
Accounts payable and accrued liabilities	340,267	269,057	71,210	26.5%
Debt	2,665,085	2,462,731	202,354	8.2%
Deferred government transfers	1,249,094	1,149,696	99,398	8.6%
Golden Ears Bridge contractor liability	1,040,378	1,045,557	(5,179)	(0.5%)
Deferred concessionaire credit	502,512	525,785	(23,273)	(4.4%)
Employee future benefits	139,653	130,902	8,751	6.7%
Deferred revenue and deposits	55,136	46,412	8,724	18.8%
Deferred lease inducements	12,544	12,486	58	0.5%
Liabilities	6,004,669	5,642,626	362,043	6.4%

See “Liquidity and Capital Resources” section for debt.

The increase in deferred government transfer of $99.4 million (8.6 per cent) was due to the gas tax funding received partly offset by revenues recognized as the various funding stipulations are met.

The Golden Ears Bridge contractor liability financed the construction of the Golden Ears Bridge and is payable over the term ending June 2041.

Deferred concessionaire credits represent the funding provided by the Canada Line Concessionaire. This balance is amortized to income on a straight-line basis until the expiry of the concessionaire agreement in July 2040.

Employee future benefits represent post-retirement and post-employment benefits. The increase of $8.8 million (6.7 per cent) was due to the estimated current service cost and related interest. Post-retirement benefits are drawn down upon retirement of the employees.

The increase in deferred revenues and deposits of $8.7 million (18.8 per cent) was attributable to unearned transit fare revenue and Compass Card deposits received.

Non-Financial Assets

As at December 31 ($ thousands)	2018	2017	Change	%
Tangible capital assets	5,079,162	4,907,241	171,921	3.5%
Supplies inventory	74,244	65,293	8,951	13.7%
Prepaid expenses	28,206	21,403	6,803	31.8%
Non-Financial Assets	5,181,612	4,993,937	187,675	3.8%

Tangible capital assets increased by $171.9 million (3.5 per cent) due to net asset additions partly offset by amortization. See “Capital Program” section for project activities. 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.

Capital Asset Additions

For the year ended December 31, 2018 tangible capital assets increased by a net amount of $171.9 million which represents $382.5 million additions to capital assets less the following:

- $197.9 million of amortization;
- $8.3 million in write-down;
- $3.7 million in net transfer to inventory assets; and
- $0.7 million in disposals.

The addition of $382.5 million during the year was primarily made up of the following items:

Additions to vehicles of $160.4 million primarily related to:

- $138.1 million for replacement of the conventional bus fleet including 106 40’ CNG, 38 40’ diesel hybrid, 22 40’ highway diesel and 8 60’ articulated diesel vehicles;
- $8.7 million for Mark I SkyTrain cars refurbishment; and
- $9.7 million for replacement of 74 HandyDART vehicles

Additions to land and buildings of $80.0 million related to:

- $51.8 million for the acquisition of land along Broadway; and
- $10.5 million for upgrades to Surrey Transit Centre buildings to accommodate the new CNG refueling stations.

Additions to equipment of $44.7 million primarily related to:

- $6.9 million for Trolley Overhead equipment;
- $6.2 million for Compass system advancement related to proximity enabled accessibility;
- $5.3 million for new CNG refuelling equipment at Surrey Transit Centre;
- $3.4 million for phase III of Expo Line rail pad replacement;
- $3.0 million for phase I of Expo Line running rail replacement; and
- $2.6 million for capital leases for IT infrastructure to renew leases and replace aging IT hardware.

Additions to other supporting systems of $34.9 million primarily related to:

- $29.9 million for Metrotown Station and Exchange upgrades; and
- $4.1 million for Expo Line Automatic Train Control (ATC) equipment replacement.

Net additions to work in progress of $62.5 million primarily related to:

Capital additions to work-in-progress amounted to $437.5 million for the year offset by $375.0 million in transfers of completed projects into their respective asset classes. The main movements for the year related to SkyTrain vehicle purchase, conventional bus purchases and major SkyTrain station upgrades. The impact of these projects is as follows:

- Mark III Vehicles of $31.3 million;
- Conventional Buses – addition of $143.2 million offset by capitalization of $138.1 million; and
- Commercial-Broadway and Metrotown Skytrain Station upgrades – addition of $23.7 million offset by capitalization of $29.9 million.

6. Liquidity and Capital Resources

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

As at December 31 ($ thousands)	2018	2017	Change	%
Cash and cash equivalents	517,022	424,010	93,012	21.9%
Investments	61,173	60,951	222	0.4%
Total	578,195	484,961	93,234	19.2%

Cash and cash equivalents and investments increased by $93.2 million (19.2 per cent) primarily due to net of inflows from operations and timing of capital spending. TransLink's strong liquidity position is further supported by a $500 million commercial paper program, of which $120 million is outstanding at year end (2017 - $240 million).

Financing

TransLink's debt management policy includes self-imposed debt coverage and debt service coverage limits. Debt coverage policy represents total net debt as a percentage of operating revenue at a maximum of 300 per cent; debt service coverage represents gross interest costs (PSAB basis) as a per cent of operating revenue of not more than 20 per cent. TransLink continues to remain within these policy limits.

As at December 31 ($ thousands)	2018		2017		Change	%
Debt	2,665,085		2,462,731		202,354	8.2%
Less: Self-administered sinking funds	(264,243)		(209,263)		(54,980)	(26.3%)
Less: Debt reserve deposits	(29,421)		(32,754)		3,333	10.2%
Net Direct Debt	2,371,421	60.6%	2,220,714	58.6%	150,707	6.8%
Golden Ears Bridge contractor liability	1,040,378		1,045,557		(5,179)	(0.5%)
Deferred concessionaire credit	502,512		525,785		(23,273)	(4.4%)
Indirect P3 Debt	1,542,890	39.4%	1,571,342	41.4%	(28,452)	(1.8%)
Subtotal Net Direct Debt and Indirect P3 Debt	3,914,311	**100.0%**	3,792,056	**100.0%**	122,255	3.2%

Debt, which primarily finances capital spending, increased by $202.4 million (8.2 per cent). This was the result of an additional $400 million of green bond issuance, offset by scheduled debt repayments. As part of TransLink's inaugural green bond issuance, a green bond framework was developed that details what types of projects that TransLink will select as eligible for any green bond proceeds, how TransLink will manage the proceeds of any green bond issuances and how it will report on the resulting environmental benefits of these projects once they are operational.

Indirect P3 Debt decreased by $28.5 million (1.8 per cent) through the principal repayment of $5.2 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 $122.3 million (3.2 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, 2018

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 $5.5 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. During 2018, the borrowing limit was increased from $4.0 billion to $5.5 billion based on Phase Two of the 10-Year Vision 2018-2027 Investment Plan, approved on June 28, 2018.

As at December 31, 2018, TransLink's outstanding debt obligation, as defined above, was $3.23 billion[1] (2017 - $3.09 billion).

[1] Debt of $2.67 billion plus MFA administered sinking funds of $0.58 billion and net of capital lease reductions since inception, unamortized issue costs and unamortized premiums /discounts of $0.02 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, collectibility risk is not significant.

(b) Loan receivable
The loan receivable is due from Modern Green Development Corp. (formerly Intergulf-Modern Green Development Corp.), the purchaser of the Oakridge Transit Centre. The remaining payments are due over approximately the next 4 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 2022 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 price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For TransLink, the following are the main types of market risk: interest rate risk, foreign exchange risk, commodity risk and inflation risk.

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

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

(c) Commodity Risk
TransLink's commodity risk pertains to usage of natural gas, electricity, gasoline and diesel to run its fleet of transit vehicles. Commodity risk is considered moderate as the current bus fleet, which a majority is powered by diesel fuel, is expected to be rapidly replaced with buses that are powered by more sustainable forms of fuel, such as compressed natural gas and electricity. The increase in fuel source diversity means that diesel fuel will continue to be a much smaller component of TransLink's total operating expenses.

(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 that utilizes a combination of insurers and 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. CMBC and BCRTC both use 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 and 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).

Three-year agreements have been successfully negotiated between TransLink, CMBC, BCRTC, Transit Police and their respective unions. Four of the three-year agreements expire on March 31, 2019. The agreement between BCRTC and their union expires on August 31, 2019 and Transit Police's is effective until December 31, 2019.

As six collective agreements are currently in place, there is no risk of a labour dispute until after the collective agreements expire. Notice to bargain typically occurs four months before the expiration of the collective agreement; therefore, negotiations will likely commence in early 2019 for those agreements terminating in the first quarter of 2019.

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. 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 uses 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 and/or 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 as part of the 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 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 2018 Audited Consolidated Financial Statements are attached at the end of the report.

5 YEAR CONSOLIDATED REVENUES

Year ended December 31 ($ millions)	2014	2015	2016	2017	2018	Compound Annual Growth Rate (CAGR) 2014-2018
Taxation	744.2	772.7	825.7	821.3	819.4	2.4%
Transit	495.6	511.4	541.6	591.0	638.0	6.5%
Government transfers *	90.3	228.9	240.5	166.9	303.5	35.4%
Golden Ears Bridge tollings	41.6	48.4	52.1	29.7	-	(100.0%)
Investment income	34.7	34.4	40.6	50.3	53.2	11.3%
Amortization of deferred concessionaire credit	23.3	23.3	23.3	23.3	23.3	0.0%
Miscellaneous revenue	5.6	6.1	6.4	7.0	11.9	20.7%
Sub Total Continuing Operations	1,435.3	1,625.4	1,730.2	1,689.5	1,849.3	6.5%
AirCare	12.0	-	-	-	-	(100.0%)
Gain/loss on disposal of tangible capital assets	6.4	2.3	422.2	(1.1)	(0.03)	0.0%
Total Revenue	1,453.8	1,627.7	2,152.3	1,688.4	1,849.3	**6.2%**

* 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 6.2 per cent since 2014 while revenue from Continuing Operations grew at an annual CAGR of 6.5 per cent.

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

Transfers from Governments have had a CAGR of 35.4 per cent since 2014, due to the change in revenue recognition relating to a Federal Gas Tax agreement in 2015 that does not include a stipulated holding period. A significant increase in 2018 is a result of timing of capital project spending and also due to the introduction of Tolling Replacement revenue to account for the elimination of the Golden Ears Bridge tolling on September 1, 2017.

Investment income has grown at 11.3 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 revenue which includes third party recoveries related to warranties, sales of energy credits, sale contract breach penalty in favour of TransLink for $4.1 million and other recoverable costs, all led to a significant growth with a CAGR of 20.7 per cent.

5 YEAR CONSOLIDATED EXPENSES (BY SEGMENT)

Year ended December 31 ($ millions)	2014	2015	2016	2017	2018	Compound Annual Growth Rate (CAGR) 2014-2018
Bus division	633.2	643.5	656.5	688.9	724.9	3.4%
Corporate operations	67.2	80.9	91.2	98.0	96.8	9.6%
Rail division	255.6	268.3	265.9	297.4	309.2	4.9%
Roads & Bridges	83.6	71.2	52.5	84.2	91.2	2.2%
Transit Police	34.3	33.1	33.8	37.2	38.3	2.8%
Amortization of tangible capital assets *	161.5	168.3	181.7	192.2	197.8	5.2%
Interest *	171.1	167.9	172.7	181.8	183.5	1.8%
Sub Total Continuing Operations	1,406.5	1,433.2	1,454.3	1,579.5	1,641.7	3.9%
AirCare	15.8	-	-	-	-	(100.0%)
Corporate and Roads & Bridges One-time	4.6	32.1	29.7	12.6	22.0	47.9%
Total Expenses by Segment	1,426.9	1,465.3	1,484.0	1,592.1	1,663.7	3.9%

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

Total expenses have grown by a Compound Annual Growth Rate (CAGR) of 3.9 per cent since 2014. Excluding One-time costs, the CAGR is 3.9 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 47.9 per cent, mainly due to Compass delivery initiatives, Surrey-Newton-Guildford LRT and Broadway Subway Project studies, Evergreen Extension integration, B-Line expansion and the write-off of Pattullo Bridge capitalized costs due to the transfer of the bridge replacement project.

5 YEAR CONSOLIDATED EXPENSES (BY CATEGORY)

Year ended December 31 ($ millions)	2014	2015	2016	2017	2018	Compound Annual Growth Rate (CAGR) 2014-2018
Administration	27.6	32.8	38.9	41.7	48.2	15.0%
Amortization of capital assets	161.5	168.3	181.8	192.2	197.9	5.2%
Capital infrastructure contributions	44.0	30.7	3.9	33.4	40.4	(2.1%)
Contracted services	197.8	203.5	211.7	219.1	220.3	2.7%
Fuel and power	70.2	62.9	56.8	65.5	71.7	0.5%
Insurance	18.7	20.6	21.2	23.8	24.1	6.5%
Interest	171.1	167.9	172.7	181.8	183.5	1.8%
Maintenance, materials and utilities	113.1	121.6	129.9	148.1	163.3	9.6%
Professional and legal	12.1	16.2	25.4	30.6	20.0	13.4%
Rentals, leases and property tax	40.0	40.9	24.7	24.3	26.9	(9.4%)
Salaries, wages and benefits	550.4	567.2	587.3	617.8	645.4	4.1%
Provision for asset valuation	0.0	0.6	0.0	1.2	0.0	0.0%
Sub Total Continuing Operations	1,406.5	1,433.2	1,454.3	1,579.5	1,641.7	3.9%
AirCare	15.8	0.0	0.0	0.0	0.0	(100.0%)
Corporate and Roads & Bridges One-time	4.6	32.1	29.7	12.6	22.0	47.9%
Total Expenses by Category	1,426.9	1,465.3	1,484.0	1,592.1	1,663.7	3.9%

The administration costs have increased by a Compound Annual Growth Rate (CAGR) of 15.0 per cent since 2014 mainly due to increase in software licensing costs and higher credit card fees associated Compass card and ticket sales. Professional and legal costs have increased by a CAGR of 13.4 per cent as a result of Pattullo Bridge replacement studies costs and environmental remediation costs related to Oakridge Transit Centre. The CAGR of rentals, leases and property tax costs have decreased by 9.4 per cent mainly due to buy-out of West Coast Express rail cars leases in 2015.

Appendix 3 – Operating Indicators

Operating Indicators

Year ended December 31	2014	2015	2016	2017	2018	Compound Annual Growth Rate (CAGR) 2014-2018 [8]
Service Performance Item						
Safety: Customer Injuries (per 1 million boarded passengers) [1]						
- CMBC	4.4	5.0	5.6	4.7	4.2	(1.2%)
- Expo & Millennium Lines	1.3	1.3	1.1	1.3	1.1	(4.1%)
- West Coast Express	0.4	0.8	0.4	1.3	1.2	31.6%
- HandyDART (per 100,000 boarded passengers)	1.8	2.9	2.2	2.3	5.0	29.1%
Safety: Employee Lost Time Frequency						
- CMBC (per 200,000 hours worked)	8.8	7.1	8.6	8.7	7.7	(3.3%)
- Expo & Millennium Lines (per 200,000 hours worked) [2]	3.1	3.6	3.9	5.1	5.3	14.3%
- West Coast Express (per 200,000 hours worked)	-	-	-	8.6	-	-
- HandyDART (per 200,000 hours worked)	18.2	14.0	18.3	15.8	16.1	(3.0%)
Safety: CMBC Operator Assaults (per 1 million service hours)	25.5	23.5	22.3	20.3	17.7	(8.7%)
Ridership: Boarded Passengers (thousands)						
- CMBC	235,113	241,707	244,992	253,150	273,375	3.8%
- Expo & Millennium Lines	77,482	77,593	93,850	105,117	111,325	9.5%
- Canada Line	40,245	40,972	43,526	46,253	48,716	4.9%
- West Coast Express	2,625	2,649	2,459	2,323	2,485	(1.4%)
- HandyDART	1,464	1,340	1,366	1,395	1,475	0.2%
Ridership: Revenue Passengers (thousands)						
- Overall System	234,625	238,795	n/a	n/a	n/a	-
Ridership: Journeys (thousands)						
- Overall System	n/a	n/a	234,205	247,821	262,626	-
Vehicle Service Delivery: Percentage of Service Hours Delivered						
- CMBC	99.6%	99.7%	99.6%	99.6%	98.9%	(0.2%)
- Expo & Millennium Lines	99.5%	99.5%	99.6%	99.6%	99.7%	0.1%
- Canada Line	100.0%	100.0%	100.0%	100.0%	100.0%	-
- West Coast Express	99.8%	99.6%	99.7%	98.0%	100.0%	0.1%
- HandyDART (% of requested trips delivered)	98.0%	99.6%	99.4%	99.3%	99.7%	0.4%
Vehicle Punctuality: On-Time Performance						
- CMBC (3 minutes late < On-Time < 1 minute early)	78.7%	78.8%	77.6%	78.3%	80.4%	0.6%
- Expo & Millennium Lines (headway + 3 minutes)	94.1%	95.9%	95.1%	95.3%	96.4%	0.6%
- West Coast Express (headway + 5 minutes)	97.7%	95.6%	95.3%	97.2%	96.7%	(0.3%)
- HandyDART (earlier than and within 15 minutes of Scheduled Pick-Up Time)	89.2%	89.5%	88.5%	88.0%	87.1%	(0.6%)
Vehicle Reliability: Mean Distance Between Failure						
- CMBC	14,846	15,486	16,745	18,441	19,768	7.4%
- Expo & Millennium Lines	550,329	437,320	360,406	372,854	545,152	(0.2%)
- West Coast Express	229,169	195,635	229,190	687,196	-	(100.0%)
HandyDart Vehicle Productivity						
- Trips per service hour (excludes taxis)	2.0	2.0	2.0	1.9	2.1	1.2%
- Trip Denials	16,869	1,613	3,558	1,362	729	(54.4%)
Environmental						
- CMBC (Spills per 1 Million Km)	9.8	9.0	7.2	7.5	5.0	(15.5%)
- CMBC (Revenue Vehicle Energy Consumption in Gigajoules)	1,828,144	1,838,967	1,843,990	1,899,303	1,974,898	1.9%

Operating Indicators continued

Year ended December 31	2014	2015	2016	2017	2018	Compound Annual Growth Rate (CAGR) 2014-2018 [8]
Customer Service: Customer Satisfaction (overall score of 10)						
- Overall System [3]	7.6	7.5	7.6	7.7	7.8	0.7%
- CMBC	7.8	7.7	7.9	7.9	7.9	0.3%
- Expo & Millennium Lines	7.9	8.0	8.1	8.2	8.3	1.2%
- Canada Line	8.7	8.6	8.5	8.6	8.5	(0.6%)
- West Coast Express	8.5	8.1	8.6	8.4	8.9	1.2%
- HandyDART	8.2	8.5	8.5	8.3	8.4	0.6%
Customer Service: Customer Complaints						
- Overall System (per 1 million boarded passengers) [3]	96.0	95.3	98.7	93.4	95.4	(0.2%)
- CMBC (per 1 million boarded passengers) [4]	111.5	108.9	114.3	104.2	106.2	(1.2%)
- Expo & Millennium Lines (per 1 million boarded passengers) [4]	11.0	20.9	16.2	17.1	15.4	8.8%
- Canada Line (per 1 million boarded passengers) [4]	8.1	2.4	3.9	4.3	4.8	(12.3%)
- West Coast Express (per 1 million boarded passengers) [4]	197.7	335.2	314.7	101.6	104.2	(14.8%)
- HandyDART (per 100,000 boarded passengers)	108.0	99.7	107.7	120.2	187.3	14.8%
Financial: Operating Costs						
- Overall System (operating cost per capacity km) [5]	0.082	0.084	0.085	0.084	0.086	1.0%
- CMBC (operating cost per capacity km)	0.119	0.119	0.123	0.126	0.128	1.9%
- Expo & Millennium Lines (operating cost per capacity km)	0.026	0.029	0.031	0.031	0.033	5.6%
- Canada Line (operating cost per capacity km)	0.103	0.105	0.106	0.105	0.107	1.1%
- West Coast Express (operating cost per capacity km)	0.097	0.099	0.089	0.092	0.095	(0.5%)
- HandyDART (operating cost per trip) [6]	40.30	40.64	40.95	42.73	41.34	0.6%
Financial: Operating Cost Recovery						
- TransLink (conventional system) [7,8]	53.7%	53.6%	54.7%	55.9%	58.1%	2.0%

[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.*

[2] *Restated 2014 and 2017 to reflect year end adjustments*

[3] *Excludes HandyDART*

[4] *Restated 2014-2017 to reallocate Compass Vending Machine complaints from SkyTrain and West Coast Express and "bus was full" complaints from CMBC to TransLink Corporate*

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

[6] *2018 operating cost per trip excludes TransLink allocated costs to Access Transit*

[7] *Excludes corporate one-time costs. Restated 2017 to reflect year end adjustments*

[8] *Calculations based on whole numbers*

Appendix 4 – Allocated Costs between Divisions

Year ended December 31 ($ thousands)	2014	2015	2016[4]	2017	2018
Shared Services [1]					
Bus Operations	23,779	23,440	25,526	27,240	30,903
Access Transit [2]	-	972	683	744	-
SkyTrain - Expo & Millennium Line	837	1,108	1,052	2,330	1,458
West Coast Express	47	70	66	84	86
Transit Police	1,525	1,679	1,550	1,883	3,108
Total Shared Services allocated	26,188	27,269	28,877	32,281	35,555
Costs Administered by TransLink and allocated to subsidiaries [3]					
Bus Operations	15,135	16,411	18,675	16,530	14,327
SkyTrain - Expo & Millennium Line	3,581	4,770	4,840	5,177	6,082
SkyTrain - Canada Line	2,009	2,215	2,451	2,107	2,164
West Coast Express	14,616	15,725	578	892	627
Transit Police	1,639	1,793	1,760	1,831	1,742
Costs Administered by TransLink allocated	36,980	40,914	28,304	26,537	24,942
Bus Operations	38,913	39,851	44,201	43,770	45,230
Access Transit	-	972	683	744	-
SkyTrain - Expo & Millennium Line	4,418	5,878	5,892	7,507	7,540
SkyTrain - Canada Line	2,009	2,215	2,451	2,107	2,164
West Coast Express	14,662	15,794	644	976	713
Transit Police	3,164	3,472	3,310	3,714	4,850
Total costs allocated to Subsidiaries from TransLink	63,166	68,182	57,181	58,818	60,497

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

[2] Access Transit allocated costs in 2018 are reflected in Bus Operations

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

[4] 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 Operations, 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 footage). 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, 2018

KPMG LLP
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Vancouver BC V7Y 1K3
Canada
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the South Coast British Columbia Transportation Authority (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

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

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the 2018 Statutory Annual Report and 2018 Year-End Financial and Performance Report documents.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indicators that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the 2018 Statutory Annual Report and the 2018 Year-End Financial and Performance Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 22, 2019

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

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

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash and cash equivalents	$ 517,022	$ 424,010
Accounts receivable (note 7(i))	250,598	120,852
Loan receivable (note 3)	250,734	310,197
Restricted cash and cash equivalents and investments (note 4(a))	979,894	780,240
Investments (note 4(b))	61,173	60,951
Debt reserve deposits (note 5)	29,421	32,754
	2,088,842	1,729,004
Liabilities		
Accounts payable and accrued liabilities (note 7(i))	340,267	269,057
Debt (note 6)	2,665,085	2,462,731
Deferred government transfers (note 7(a))	1,249,094	1,149,696
Golden Ears Bridge contractor liability (note 8(a))	1,040,378	1,045,557
Deferred concessionaire credit (note 9(a))	502,512	525,785
Employee future benefits (note 10(b))	139,653	130,902
Deferred revenue and deposits	55,136	46,412
Deferred lease inducements	12,544	12,486
	6,004,669	5,642,626
Net debt	(3,915,827)	(3,913,622)
Non-financial assets		
Tangible capital assets (note 11)	5,079,162	4,907,241
Supplies inventory	74,244	65,293
Prepaid expenses	28,206	21,403
	5,181,612	4,993,937
Commitments and contingencies (note 12)		
Accumulated surplus	$ 1,265,785	$ 1,080,315

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Tony Gugliotta"
Chair

"Anne Giardini"
Director

SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
	(note 2(s))		
Revenues:			
Taxation (note 16)	$ 855,072	$ 819,354	$ 821,333
Transit (note 7(j))	606,805	638,015	590,964
Golden Ears Bridge tolling (note 7(h))	-	-	29,743
Government transfers (note 7(a))	424,078	303,498	166,902
Amortization of deferred concessionaire credit (note 9(a))	23,337	23,273	23,274
Investment income	48,189	53,203	50,278
Miscellaneous revenue	6,036	11,894	7,009
Loss on disposal of tangible capital assets	(447)	(34)	(1,104)
	1,963,070	1,849,203	1,688,399
Expenses:			
Bus operations	878,084	867,913	826,089
Corporate operations	163,718	145,675	136,460
Rail operations	426,351	422,185	407,761
Roads and bridges	202,861	189,273	184,351
Transit Police	38,917	38,687	37,495
	1,709,931	1,663,733	1,592,156
Surplus for the year	253,139	185,470	96,243
Accumulated surplus, beginning of year	1,089,682	1,080,315	984,072
Accumulated surplus, end of year	$ 1,342,821	$ 1,265,785	$ 1,080,315

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, 2018, with comparative information for 2017

	2018 Budget (note 2(s))	2018 Actual	2017 Actual
Surplus for the year	$ 253,139	$ 185,470	$ 96,243
Acquisition of tangible capital assets	(789,646)	(382,466)	(234,568)
Amortization of tangible capital assets	214,436	197,854	192,171
Loss on disposal of tangible capital assets	447	34	1,104
Net proceeds from disposal of tangible capital assets	-	694	869
Write-down of tangible capital assets	-	8,299	1,179
	(574,763)	(175,585)	(39,245)
Change in supplies inventory	-	(5,287)	(3,462)
Change in prepaid expenses	6,806	(6,803)	(9,746)
	6,806	(12,090)	(13,208)
Decrease (increase) in net debt	(314,818)	(2,205)	43,790
Net debt, beginning of year	(4,029,965)	(3,913,622)	(3,957,412)
Net debt, end of year	$ (4,344,783)	$ (3,915,827)	$ (3,913,622)

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used for):		
Operating transactions:		
Surplus for the year	$ 185,470	$ 96,243
Non-cash changes to operations (note 14)	(41,402)	45,951
Changes in non-cash operating working capital (note 14)	6,312	70,975
Cash provided by operating transactions	150,380	213,169
Capital transactions:		
Purchase of tangible capital assets	(380,763)	(226,907)
Net proceeds from disposal of tangible capital assets	694	869
Cash used for capital transactions	(380,069)	(226,038)
Investing transactions:		
Increase in restricted cash and investments	(199,654)	(275,945)
Decrease (increase) in investments	(222)	19,966
Decrease in debt reserve deposits	3,333	2,295
Cash used for investing transactions	(196,543)	(253,684)
Financing transactions:		
Debt proceeds	400,000	200,000
Issue costs on financing	(2,331)	(1,469)
Repayments of debt	(197,425)	(90,880)
Repayments of Golden Ears Bridge contractor liability	(5,179)	(3,464)
Government transfers received for tangible capital additions	324,179	333,940
Cash provided by financing transactions	519,244	438,127
Increase in cash and cash equivalents	93,012	171,574
Cash and cash equivalents, beginning of year	424,010	252,436
Cash and cash equivalents, end of year	$ 517,022	$ 424,010
Supplementary information:		
Interest paid	$ 185,067	$ 182,955
Tangible capital assets acquired by capital lease and other adjustments	(1,961)	7,661

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 of 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, 2018, 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)	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, 2018. 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 (2017 - 11 years) and post-employment plan is 6 years (2017 - 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.

2. Significant accounting policies (continued):

(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.

(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 17). 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 14, 2017.

(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 $66,000,000 of proceeds in 2018 (2017 - $22,000,000) with the remaining payment due in annual instalments as follows:

	Instalments
January 20, 2020	$ 66,000
January 20, 2021	66,000
January 20, 2022	66,000
January 20, 2023	66,000
Total	$ 264,000

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

The loan receivable of $250,734,000 (2017 - $310,197,000) is the present value of the instalments due as at December 31, 2018 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 191 months (2017 - 173 months) and an average remaining term to maturity of 164 months (2017 - 148 months). All bonds held by the Authority, as at December 31, 2018 and 2017, were rated A or higher.

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

	2018	2017
Interest rate range	1.45% - 2.85%	1.45% - 2.15%
Maturity date range	January 2019 – December 2019	January 2018 – April 2019

(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:

	2018		2017	
	Effective rates	Coupon rates	Effective rates	Coupon rates
Weighted average rate	3.05%	3.28%	2.87%	3.30%
Interest rate range	1.51% - 4.47%	1.50% - 5.20%	1.09% - 4.51%	1.50% - 5.60%

(a) Restricted cash and cash equivalents and investments:

	2018	2017
Government transfers for capital project funding (i):		
Cash and cash equivalents	$ 377,859	$ 242,317
Investments:		
Term deposits and money market instruments	135,812	118,842
Bonds (note 15(b))	19,866	47,804
Total government transfers for capital project funding	533,537	408,963
Self-administered sinking funds:		
Cash and cash equivalents	2	1
Bonds maturing beyond one year (note 15(b))	264,241	209,261
Total self-administered sinking funds	264,243	209,262
Land reserve:		
Cash and cash equivalents	72,762	91,406
Term deposits	72,569	47,482
Total land reserve	145,331	138,888
Green Bond proceeds:		
Cash and cash equivalents	11,688	-
TPCC (wholly-owned captive insurance subsidiary):		
Bonds (note 15(b))	25,095	23,127
Total restricted cash and investments	$ 979,894	$ 780,240

(i) Unspent government transfers for capital project funding consists of $531,715,000 (2017 - $405,924,000) of Gas Tax funds and $1,822,000 (2017 - $3,039,000) of other funding.

(b) Unrestricted investments:

Unrestricted investments are comprised of term deposits and money market instruments in the amount of $61,173,000 (2017 - $60,951,000).

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 has not been recorded as a liability on the consolidated statement of financial position. At year-end, the maximum value of the demand notes totaled $30,608,000 (2017 - $36,070,000).

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

6. Debt:

	2018	2017
Unsecured commercial paper, due next 12 months	$ 120,000	$ 239,636
Unsecured sinking fund bonds held by the MFA, weighted average coupon rate of 4.22% (effective rate 4.27%), maturing at various dates from 2019 to 2036, 10 to 30 year original term	1,149,784	1,288,228
Less: MFA administered debt sinking funds	(581,211)	(648,913)
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	18,939	21,410
Unsecured bullet maturity bond series TL-1, interest rate 3.80% (effective rate 3.88%), maturing 2020, original 10 year term	299,539	299,326
Unsecured bullet maturity bond series TL-2, interest rate 4.65% (effective rate 4.70%), maturing 2041, original 30 year term	198,640	198,613
Unsecured bullet maturity bond series TL-3, interest rate 3.85% (effective rate 3.82%), maturing 2052, original 40 year term	251,445	251,474
Unsecured bullet maturity bond series TL-4, interest rate 4.45% (effective rate 3.97%), maturing 2044, original 30.5 year term	394,220	394,925
Unsecured bullet maturity bond series TL-5, interest rate 3.05% (effective rate 3.06%), maturing 2025, original 10.5 year term	214,937	214,934
Unsecured bullet maturity bond series TL-6, interest rate 3.15% (effective rate 3.18%), maturing 2048, original 31 year term	198,703	198,682
Unsecured bullet maturity bond series TL-7 (Green), interest rate 3.25% (effective rate 3.31%), maturing 2028, original 10 year term	397,830	-
Capital lease, weighted average implicit rate of 3.25% (2017 - 4.00%), maturing at various dates from 2019 to 2022	2,259	4,416
	$ 2,665,085	$ 2,462,731

(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, 2022. 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 2018.

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, 2018, $120,000,000 (2017 - $239,636,000), was owed under this commercial paper program at an average interest rate of 2.03% (2017 - 1.25%) and is due for repayment in January 2019 (2017 - January and February 2018).

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:						
2019	$ 120,000	$ 36,357	$ 2,530	$ -	$ 1,319	$ 160,206
2020	-	34,700	2,593	300,000	643	337,936
2021	-	34,700	2,659	-	260	37,619
2022	-	32,698	2,727	-	37	35,462
2023	-	30,278	2,797	-	-	33,075
Thereafter	-	135,293	5,809	1,630,000	-	1,771,102
	120,000	304,026	19,115	1,930,000	2,259	2,375,400
Future actuarial interest	-	265,963	-	-	-	265,963
	120,000	569,989	19,115	1,930,000	2,259	2,641,363
Unamortized premium / (issue costs)	-	(1,416)	(176)	25,314	-	23,722
	$ 120,000	$ 568,573	$ 18,939	$ 1,955,314	$ 2,259	$ 2,665,085

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

7. Transfers from other governments:

(a) Deferred government transfers:

	Balance, January 1, 2018	Contributions received	Interest earned	Recognized as revenue	Balance, December 31, 2018
Capital project funding:					
Gas Tax	$ 502,447	$ 234,750	$ 9,235	$ (187,330)	$ 559,102
Canada Line	501,746	-	-	(24,321)	477,425
Public Transit Infrastructure Fund	54,788	79,504	-	-	134,292
Building Canada Fund	67,286	-	-	(4,464)	62,822
Evergreen Line	7,000	-	-	(700)	6,300
Transit Secure Fund	5,701	-	-	(794)	4,907
Public Transit Fund	5,856	-	-	(3,758)	2,098
Capstan Station	1,098	-	-	(199)	899
Public Transit Infrastructure Program	2,615	-	-	(1,740)	875
Urban Transportation Showcase	1,030	-	-	(687)	343
Miscellaneous programs	129	690	-	(788)	31
	1,149,696	314,944	9,235	(224,781)	1,249,094
Operating funding:					
Golden Ears Bridge foregone tolling	-	57,585	-	(57,585)	-
Canada Line Operating Fund (note 9(c))	-	19,174	-	(19,174)	-
Properties Environmental Program	-	1,818	-	(1,818)	-
Other cost sharing projects	-	140	-	(140)	-
	-	78,717	-	(78,717)	-
	$ 1,149,696	$ 393,661	$ 9,235	$ (303,498)	$ 1,249,094

The balance as at December 31, 2018 of $1,249,094,000 consists of:

(i) Unspent Gas Tax funds of $531,715,000 (2017 - $405,924,000) and unspent funds for various other projects of $1,822,000 (2017 - $3,039,000); and

(ii) Spent funds of $715,557,000 (2017 - $740,733,000) that will be recognized as revenue as the related stipulations in the agreements 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 after 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:

	2018	2017
Opening balance, unspent funds	$ 405,924	$ 190,464
Amount received during the year	234,750	272,672
Interest earned	9,235	4,939
Funding re-invested for early disposal of assets	1,681	-
Amount spent on designated public transit projects	(119,875)	(62,151)
Closing balance, unspent funds	$ 531,715	$ 405,924

(c) Canada Line funding:

The Authority has received certain contributions for the Canada Line infrastructure from the Federal and Provincial Governments 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. If the assets are disposed prior to the 30 year term, the Authority is required to refund a portion of the contributions received, the amount of which decreases over time. 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, 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, which has been extended to March 31, 2021, 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. If the assets are disposed prior to the 25 year term, the Authority is required to repay a portion of the funding, the amount of which decreases over time.

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 phases: 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 foregone tolling revenue:

In August 2017, the Province announced the removal of tolls on the Golden Ears Bridge (the “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:

	2018	2017
Trade accounts receivable	$ 19,659	$ 30,596
Due from Federal Government	7,744	4,984
Due from Province of British Columbia	215,298	78,588
Due from regional districts	5,824	4,344
Due from other authorities	2,073	2,340
Accounts receivable	$ 250,598	$ 120,852

	2018	2017
Trade accounts payable and accrued liabilities	$ 284,132	$ 215,020
Due to Federal Government	6,534	11,304
Due to Province of British Columbia	1,607	3,076
Due to regional districts	39,988	31,533
Due to other Authorities	8,006	8,124
Accounts payable and accrued liabilities	$ 340,267	$ 269,057

(j) Transit revenue:

Included in transit revenues is $11,629,000 (2017 - $10,888,000) 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:

	2018	2017
Opening balance	$ 1,045,557	$ 1,049,021
Interest accretion on contractor liability to last payment date	65,928	66,095
Payments made	(71,107)	(69,559)
Ending balance	$ 1,040,378	$ 1,045,557

As the last monthly payment of the year was made on December 8, 2018, the interest accrual from December 9 to 31, 2018 of $4,054,000 (2017 - $4,203,000) 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
2019	$ 74,477
2020	75,977
2021	77,504
2022	79,046
2023	80,632

(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
2019	$ 4,914
2020	5,013
2021	5,114
2022	5,215
2023	5,320

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.

	2018	2017
Opening balance	$ 525,785	$ 549,059
Less: amortization	(23,273)	(23,274)
Closing balance	$ 502,512	$ 525,785

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

9. Canada Line (continued):

(b) Operating commitments:

Base operating 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 2019 to December 2034	$ 6,462
January 2035	5,289
February 2035 to July 2040	4,117

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:

2019	$ 116,000
2020	119,000
2021	121,000
2022	123,000
2023	126,000

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.

(c) Operating contributions:

The Province of British Columbia has committed to provide funding of $1,478,000 at each 28 day period 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 2018 was $19,174,000 (2017 - $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 $47,920,000 (2017 - $44,940,000).

(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.

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 $9,820,000 (2017 - $12,347,000).

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

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

(b) Employee future benefits (continued):

(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 $2,701,000 (2017 - $2,336,000).

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

	Post-retirement benefits	Post-employment benefits	Total 2018	Total 2017
Accrued benefit obligation	$ 85,716	$ 19,719	$ 105,435	$ 119,323
Unamortized net actuarial gain	22,892	11,326	34,218	11,579
Accrued benefit liability	$ 108,608	$ 31,045	$ 139,653	$ 130,902

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 2018	Total 2017
Current period benefit cost	$ 6,820	$ 5,506	$ 12,326	$ 11,310
Interest cost	3,390	674	4,064	4,620
Amortization of actuarial gains	(390)	(3,479)	(3,869)	(1,247)
Net expense	9,820	2,701	12,521	14,683
Actuarially determined payments	(1,279)	(2,491)	(3,770)	(3,928)
Change in accrued benefit liability	$ 8,541	$ 210	$ 8,751	$ 10,755

(v) The significant assumptions used are as follows:

	2018	2017
Discount rates	3.20% - 3.50%	2.90% - 3.20%
Expected health care cost trend rates	3.90% - 6.20%	4.40% - 6.80%

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

11. Tangible capital assets:

Cost	Balance, January 1, 2018	Additions	Disposals/ transfers	Write-down of assets	Balance, December 31, 2018
Land	$ 358,678	$ 51,808	$ -	$ -	$ 410,486
Land improvements	40,397	-	-	-	40,397
Buildings	310,454	28,111	-	-	338,565
Bridges, guideways, stations and tunnels	2,372,044	-	-	-	2,372,044
Other supporting systems	1,051,057	34,891	-	-	1,085,948
Vehicles and SeaBus	1,691,943	160,425	(12,291)	-	1,840,077
Equipment	697,710	44,703	(5,509)	-	736,904
Tangible capital projects in progress	264,769	62,528	-	(8,299)	318,998
	$ 6,787,052	$ 382,466	$ (17,800)	$ (8,299)	$ 7,143,419

Accumulated amortization	Balance, January 1, 2018	Amortization expense	Disposals/ transfers	Write-down of assets	Balance, December 31, 2018
Land	$ -	$ -	$ -	$ -	$ -
Land improvements	(20,792)	(1,185)	-	-	(21,977)
Buildings	(114,674)	(8,050)	-	-	(122,724)
Bridges, guideways, stations and tunnels	(190,046)	(24,243)	-	-	(214,289)
Other supporting systems	(245,819)	(38,076)	-	-	(283,895)
Vehicles and SeaBus	(893,526)	(83,617)	12,020	-	(965,123)
Equipment	(414,954)	(42,683)	1,388	-	(456,249)
	$ (1,879,811)	$ (197,854)	$ 13,408	$ -	$ (2,064,257)

Net book value	Balance, January 1, 2018	Balance, December 31, 2018
Land	$ 358,678	$ 410,486
Land improvements	19,605	18,420
Buildings	195,780	215,841
Bridges, guideways, stations and tunnels	2,181,998	2,157,755
Other supporting systems	805,238	802,053
Vehicles and SeaBus	798,417	874,954
Equipment	282,756	280,655
Tangible capital projects in progress	264,769	318,998
	$ 4,907,241	$ 5,079,162

Included in tangible capital assets is capital leased equipment with a net book value of $7,996,000 (2017 - $8,600,000).

Interest capitalized during the year amounted to $3,257,000 (2017 - $2,125,000).

11. Tangible capital assets (continued):

(a) Pattullo Bridge Replacement Project:

During the year, the Province assumed the delivery of the Pattullo Bridge Replacement Project from TransLink. As a result, a write-down of $8,299,000 was recognized to reflect the amount of unrecoverable costs incurred by TransLink up to the effective date of the transfer.

(b) Expo and Millennium Line:

As at December 31, 2018, the net book value of Expo and Millennium Line guideways or system improvements totaled $354,642,000 (2017 - $328,000,000) of which $253,421,000 (2017 -$227,000,000) 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, 2020. 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.

(c) West Coast Express:

BCTFA leases to TransLink all its interests (owned and otherwise) with respect to the West Coast Express properties and infrastructure. As at December 31, 2018, the net book value of West Coast Express improvements totaled $3,375,000 (2017 - $3,700,000).

(d) Evergreen Line:

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, 2018, the net book value of Evergreen Line guideways and system owned by TransLink, excluding SkyTrain vehicles, totaled $323,929,000 (2017 - $331,675,000).

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 and vehicles, in the following amounts:

2019	$ 16,915
2020	16,179
2021	15,949
2022	15,474
2023	15,538
	$ 80,055

Included in the payment schedule above are certain commitments that extend beyond 2023. Significant commitments beyond 2023 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 2023 ranges from $834,000 to $892,000.

(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, land leases and miscellaneous services.

The following summarizes the WCE operating commitments:

2019	$ 13,089
2020	11,567
2021	6,324
2022	6,212
2023	6,253
	$ 43,445

Subsequent to 2023, monthly operating commitments for WCE are $437,000 to $523,000 for 2024 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
2019	$ 11,358
2020	11,531
2021	13,581
2022	12,028
2023	12,209
	$ 60,707

Subsequent to 2023, the fixed monthly base payments range from $1,036,000 to $1,055,000 for 2024 to 2025. Additionally, an amount of $6,258,000 is payable in 2025 should the Authority choose not to extend the contract.

(d) Diesel fuel purchase:

In 2018, the Authority adopted an internal strategy to manage diesel fuel purchases and no longer enters into fixed price future agreements and therefore has no such commitments at the end of the year (2017 - $19,700,000).

(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
2019	$ 1,679
2020	1,679
2021	1,442
	$ 4,800

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, 2018, the net amount of MRN capital infrastructure contributions committed and not paid is $59,310,000 (2017 - $20,100,000). This amount will be paid to the municipalities upon completion of their projects.

(g) Lawsuits and claims:

As at December 31, 2018, 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 recorded 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. Three test cases for assessment of compensation for injurious affection were heard at trial in April 2018 by the BC Supreme Court, and judgement issued by the BC Supreme Court, awarding damages in the aggregate amount of $181,040, has been appealed by TransLink. The appeal has not yet been heard by year-end.
- 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, 2018, $486,448,000 (2017 - $403,018,000) has been contractually committed for other capital projects and inventory.

(i) Letters of credit:

As at December 31, 2018, the Authority has issued letters of credit to the City of Richmond and the City of Surrey totaling $2,787,000 (2017 - $1,005,000) which expire in 2019.

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

13. Contractual rights:

The Authority is entitled to future revenues based on contracts and agreements it has entered into by year-end to fund operating costs, capital expansion and debt repayment. These include, but are not limited to, funding agreements for Canada Line, Golden Ears Bridge foregone tolling, Gas Tax, PTIF and the U-Pass BC program. The following summarizes the amounts receivable expected under all such contracts and agreements over the next five years:

2019	$ 381,209
2020	374,467
2021	191,556
2022	123,959
2023	233,181
	$ 1,304,372

The annual amounts beyond 2023 range from $27,746,000 to $174,603,000 until 2050.

14. Statement of cash flows:

	2018	2017
Non-cash changes to operations:		
Amortization of tangible capital assets	$ 197,854	$ 192,171
Amortization of bond premium	(112)	(35)
Amortization of debt issue cost	519	188
Amortization of deferred concessionaire credit	(23,273)	(23,274)
Amortization of deferred government transfers	(224,781)	(125,290)
Amortization of deferred lease inducements net of additions	58	(92)
Write-down of tangible capital assets	8,299	1,179
Loss on disposal of tangible capital assets	34	1,104
	$ (41,402)	$ 45,951

	2018	2017
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	$ (129,746)	$ 12,884
Decrease in loan receivable	59,463	15,116
Increase in supplies inventory	(5,287)	(3,462)
Increase in prepaid expenses	(6,803)	(9,746)
Increase in accounts payable and accrued liabilities	71,210	34,535
Increase in deferred revenue and deposits	8,724	10,893
Employee future benefits payable	8,751	10,755
	$ 6,312	$ 70,975

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

15. 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. There has been no change to any of the risk exposures from 2017.

(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.

2018	Fair values	Amortized cost
Restricted investments:		
Government transfers for capital projects - bonds	$ 19,906	$ 19,866
TPCC - bonds	24,921	25,095
Self-administered sinking funds - bonds	266,575	264,241

2017	Fair values	Amortized 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

16. Taxation revenue:

	2018	2017
Property tax	$ 355,838	$ 339,124
Fuel tax	351,338	373,780
Parking sales tax	73,201	70,019
Hydro levy	21,088	20,576
Replacement tax	17,889	17,834
	$ 819,354	$ 821,333

17. Segmented information:

(a) Bus operations:

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 operations represent the operating costs and the allocated depreciation and interest costs.

(b) Corporate operations:

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 operations:

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 operations represent 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)

17. Segmented Information (continued):

	2018						
	Bus operations	Corporate operations	Rail operations	Roads and bridges	Transit Police	Total	2017
Revenues:							
Taxation	$ -	$ 819,354	$ -	$ -	$ -	$ 819,354	$ 821,333
Transit	-	638,015	-	-	-	638,015	590,964
Golden Ears Bridge tolling	-	-	-	-	-	-	29,743
Government transfers	-	303,498	-	-	-	303,498	166,902
Amortization of deferred concessionaire credit	-	-	23,273	-	-	23,273	23,274
Investment income	-	53,203	-	-	-	53,203	50,278
Miscellaneous revenue	3,124	7,013	419	-	1,338	11,894	7,009
Gain (loss) on disposal of tangible capital assets	-	406	(440)	-	-	(34)	(1,104)
	3,124	1,821,489	23,252	-	1,338	1,849,203	1,688,399
Expenses:							
Administration	16,501	19,194	6,045	4,363	3,440	49,543	43,540
Capital infrastructure contributions	-	-	-	40,416	-	40,416	33,389
Contracted services	78,158	11,205	122,813	8,173	-	220,349	219,116
Fuel and power	55,140	-	16,566	-	-	71,706	65,520
Insurance	17,891	197	5,024	981	49	24,142	23,825
Maintenance, materials and utilities	79,544	2,330	47,091	33,155	1,486	163,606	148,214
Professional and legal	2,768	21,906	3,505	2,194	395	30,768	41,029
Rentals, leases and property tax	13,114	9,791	1,926	256	1,850	26,937	24,339
Salaries, wages and benefits	461,767	45,902	106,225	1,672	31,088	646,654	618,068
Write-down of tangible capital assets	-	8,299	-	-	-	8,299	1,179
Expenses before amortization and interest	724,883	118,824	309,195	91,210	38,308	1,282,420	1,218,219
Amortization of tangible capital assets	89,686	16,836	70,849	20,245	238	197,854	192,171
Interest	53,344	10,015	42,141	77,818	141	183,459	181,766
	143,030	26,851	112,990	98,063	379	381,313	373,937
	867,913	145,675	422,185	189,273	38,687	1,663,733	1,592,156
Surplus (deficit) for the year	$ (864,789)	$ 1,675,814	$ (398,933)	$ (189,273)	$ (37,349)	$ 185,470	$ 96,243

18. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.