



# 2019 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

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### Building Transportation Excellence

TransLink delivers a wide range of services and programs to meet the transportation needs of 2.5 million people in Metro Vancouver. These include Bus, SeaBus, SkyTrain, West Coast Express, and HandyDART services. Guided by a regional mandate, TransLink provides a transportation system that moves people and goods, while supporting the growth strategy, environmental objectives, and economic development of the region.

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 (the "10-Year Vision"). 2019 marked the third year in Phase One of the 10-Year Vision and the second year in Phase Two of the 10-Year Vision: 2018-2027 Investment Plan (the "Investment Plan").

2019 was a busy and successful year where TransLink focused on continuing the ambitious expansion of transit services throughout the region, investing in critically required maintenance on the system to ensure safety and reliability and enhancing the customer experience. Notably we:

- Increased Scheduled Transit service hours by 1.5 per cent and number of Access Transit trips by 5.0 per cent over 2018;
- Commissioned 175 new conventional buses, 38 new community shuttle vehicles, 50 new HandyDART vehicles and 7 new trains with 4 rail cars each;
- Commissioned four battery-electric buses and two on-route overhead fast chargers, bringing us one step closer to reaching our sustainability goals;
- Showcased Transport 2050, the blueprint for the future of transportation in Metro Vancouver, engaging with the public the region's transportation vision, strategies and priorities between now and 2050;
- Introduced Compass Mini and added American Express to the Tap to Pay program as additional convenient options to use the system; and
- Received the American Public Transportation Association's 2019 Transit System of the Year award.

For the year ended December 31, 2019, TransLink reported a \$333.2 million surplus on a Public Sector Accounting Board ("PSAB") basis. This is an increase of \$147.7 million from 2018 and \$144.0 million better than budget.

Ridership growth continues to be driven by service expansion and service improvements committed in the 10-Year Vision combined with high employment levels and fuel prices. While Access Transit services have exceeded the expansion outlined in the Mayors' Vision, it is still unable to meet the increase in the demand for these services. In 2019, TransLink added more communications channels for transit riders by installing new Passenger Information Displays throughout the network and set up customer kiosks to provide better service to the customers.

Looking ahead, 2020 will be a year of intensive project development as TransLink continues to deliver on the planned expansion, invest in maintenance and repairs and improve customer experience by creating enhancements to the system. TransLink will build on 2019's progress toward realizing the vision of creating a better place to live, built on transportation excellence.

## **Key Priorities**

The accomplishments of 2019 are based on the three main priorities: 1) Implement the Mayors' 10-Year Vision, 2) Ensure a state of good repair and 3) Improve customer experience and public support. The following table highlights the accomplishments in 2019.

### **Priority One: Implement the Mayors' Council's Vision**

*We will successfully deliver the capital projects, service expansion and policy initiatives necessary to implement the Mayors' Council's Vision.*

- Commissioned a total of 175 new conventional buses, 38 new community shuttle vehicles and 50 new HandyDART vehicles into full revenue service.
- Received vehicles and delivered route training to operators for the launch of four new RapidBus routes in January 2020.
- As a result of service expansion, 25 classes of operator training were delivered for 648 new Transit Operator Trainees with 451 trainees successfully graduating into service in 2019.
- Implemented a ten-minute weekday peak service for SeaBus with the existing fleet and successfully recruited a crew to support expanded service levels.
- Commissioned a total of seven new trains with four rail cars each, into full revenue service, bringing the total rail car fleet to 314.
- Implemented service expansion with 9.0 per cent more service on the Expo Line and 5.0 per cent more service on the Millennium Line during peak hours.
- Completed the Guildford Exchange and 22nd Street Exchange construction and continued construction work on Nanaimo Station Exchange, Lonsdale Quay Exchange, and Brighthouse Bus Exchange.
- Completed the Phase 1 design of the SeaBus Terminals Interior Refurbishment and continued to work on the SeaBus Terminals exit ramp replacement.
- Various measures were undertaken to modernize the Expo and Millennium Lines infrastructure:
  - Completed the construction of the Operations and Maintenance Centre (OMC 3) and progressed to the testing phase.
  - Design for OMC 4 and the Operations Control Center is complete, design for OMC 1 & 2 is 70.0 per cent complete.
- Surrey Central Station and Phase II of Joyce-Collingwood Station upgrades were completed.
- BC Hydro early works for propulsion power and construction of the Broadway Subway Project were completed. The relocation of trolley overhead infrastructure to accommodate bus route changes during construction are approximately 80.0 per cent complete.
- Participated in the electric-battery bus demonstration and integration trial of the Canadian Urban Transit Research & Innovation Consortium with the deployment of four battery-electric buses and two overhead chargers.

## Priority Two: Maintain a 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.*

- Installed three new radio consoles in the Transit Communications Center (T-Comm) and equipped 94 buses with the new radio system.
- Completed installation of new fareboxes on Community Shuttle fleet and receiver vaults to collect revenue from the fareboxes.
- Completed lighting and mechanical retrofit projects at the Richmond Transit Centre and Vancouver Transit Centre respectively and installed an energy efficient compressor at the Surrey Transit Center.
- Completed roll out of the 8,000-kilometre internal Preventative Maintenance program at all transit centers, in accordance with Commercial Vehicle Safety Enforcement requirements.
- Completed repaving work at the Marpole Bus Loop, Port Coquitlam Transit Centre and Maple Meadows Exchange.
- Successfully replaced 6.2-kilometre running rail along with 5,900 rail pad assemblies.
- Numerous upgrades were made to the Trolley Overhead Infrastructure and various transit centers.
- Launched a new Visual Management Centre at BCRTC in 2019 to monitor performance metrics.
- Completed construction of the Seismic Early Warning and Wind Monitoring System, with the launch anticipated in early 2020.

## Priority Three: Enhance Customer Experience

*With a customer first approach, we will build public trust and confidence in TransLink by focusing on growing ridership, engaging stakeholders and implementing the Mayors' Council's 10-Year Vision.*

- Installed and activated 111 Passenger Information Displays (PIDS) at 14 SkyTrain stations on Expo and Millennium Lines as well as 94 PIDs at RapidBus bus stops, completed setting up a new SkyTrain Assistance Centre manned by attendants at Commercial-Broadway SkyTrain station and installed 27 digital touch screen kiosks at SkyTrain and Bus exchange locations in 2019.
- The TransLink mobile website was replaced with a new, more responsive website with new features including a map-based trip planner, new fare calculator, improved feedback form and alerts sign-up.
- Implemented a Shared Mobility Compass Card Pilot project with ride-sharing and bike-sharing organizations.
- Initiated the following improvements to SkyTrain stations and bus exchanges:
  - Delivered new public art at the Commercial Broadway, Surrey Central, 22nd Street and Joyce-Collingwood stations.
  - Completed Phase 1 of BC Parkway priority lighting in the Royal Oak area.
  - Finalized BC Parkway Intersection improvement study and Advanced BC Parkway Design Guidelines development.
  - Advanced Customer Washroom Implementation Strategy development.
- Carried out construction at the Columbia, Edmonds, Evergreen and Dunsmuir SkyTrain tunnels to enhance wireless coverage.
- Implemented a more visible “See Something, Say Something” campaign, updated alarm strips were installed on SkyTrain and Canada Line vehicles. Launched the “anti-sexual offending” campaign for which Transit Police won the International Association of Law Enforcement Planners’ Phil E. Keith Project of the Year award.
- Completed training in vapour scent explosive detection for the Transit Police Explosive Scent Detection Dog Teams for conducting security sweeps.
- Conducted eight live “Active Assailant” exercises for Transit Police Officers and established a Transit Police threat response protocol.
- Launched a Bait Bike Project to address bike thefts at transit bike storage facilities and racks.
- Launched joint operations with jurisdictional Police to tackle shoplifting from businesses nearby stations, where transit is being used by the offenders to leave the area.
- Transit Police produced a tri-fold card to help communication between Transit Police Officers and persons who are deaf or hard of hearing, in consultation with the Western Institute for the Deaf and Hard of Hearing.
- Developed 11 instructional videos geared towards passengers with disabilities. Negotiations were held with taxi associations to improve service, including a premium for wheelchair service and mandatory training for all drivers doing HandyDART trips.

## 2. 5 Year Summary

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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.

TransLink's discipline and financial management practices have resulted in continued improvements in unrestricted cash and investments, with a strong balance of \$563.3 million as at December 31, 2019. The primary reason for the large reserve has been to provide additional liquidity ahead of the anticipated larger capital spend under Phase 2 of the 10-Year Vision. 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 has an expanding Capital Program with strong oversight. Tangible capital assets grew to \$5.4 billion as at December 31, 2019 from \$5.1 billion as at December 31, 2018. At the end of 2019, the total capital program budget was \$5.5 billion, with \$3.3 billion in active projects. For the active capital projects, final forecasted costs for these projects are 0.7 per cent favourable to budget.

Ridership has continued to grow, with 272.4 million journeys overall, a 3.7 per cent increase from 2018. TransLink's ongoing commitment to deliver on service expansion has resulted in continuous service hour increases with 7.0 million service hours delivered in 2019, a 1.5 per cent improvement over 2018. Efficiency gains and effective service optimization initiatives have resulted in an improvement in the cost recovery rate from 58.1 per cent in 2018 to 58.9 per cent in 2019.

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



5 YEAR PERFORMANCE TRENDS								
Year ended December 31 (all numbers in millions unless otherwise stated)	2015	2016	2017	2018	2019	COMPARISON TO 2018 <sup>9</sup>		Compound Annual Growth Rate (CAGR) <sup>9</sup>
						Fav / (Unfav)	%	
<b>FINANCIAL INDICATORS</b>								
Unrestricted cash and investments <sup>1</sup>	271.9	333.4	485.0	578.2	563.3	(14.9)	(2.6%)	20.0%
Tangible capital assets	4,606.6	4,868.0	4,907.2	5,079.2	5,381.3	302.1	5.9%	4.0%
Net direct debt <sup>2</sup>	1,989.9	2,149.8	2,220.7	2,371.4	2,375.4	(4.0)	(0.2%)	(4.5%)
Indirect P3 debt <sup>3</sup>	1,623.3	1,598.1	1,571.3	1,542.9	1,512.6	30.3	2.0%	1.8%
Total net direct debt and indirect P3 debt	3,613.2	3,747.9	3,792.1	3,914.3	3,888.0	26.3	0.7%	(1.8%)
Gross interest cost as a % of operating revenue	12.4%	12.0%	12.2%	11.9%	11.5%	0.4%	3.4%	1.9%
<b>OPERATING INDICATORS</b>								
<b>Scheduled Transit Service</b>								
Overall performance rating (out of 10)	7.5	7.6	7.7	7.8	7.8	-	-	1.0%
Service hours	6.3	6.3	6.7	6.9	7.0	0.1	1.5%	2.7%
Total Cost recovery ratio <sup>4,5</sup>	53.6%	54.7%	55.9%	58.1%	58.9%	0.8%	1.4%	2.4%
Operating cost per capacity kilometre <sup>6</sup>	\$ 0.084	\$ 0.085	\$ 0.084	\$ 0.086	\$ 0.089	\$ (0.003)	(3.7%)	(1.5%)
Complaints per million boarded passengers *	98.9	98.7	93.4	95.4	90.6	4.8	5.0%	2.2%
<b>Access Transit Service</b>								
Number of trips (thousands)	1,205	1,227	1,250	1,315	1,382	66	5.0%	3.5%
Operating cost per trip*	\$ 40.64	\$ 40.95	\$ 42.73	\$ 41.34	\$ 39.26	\$ 2.08	5.0%	0.9%
Number of trips denied (thousands)	1.6	3.6	1.4	0.7	1.4	(0.7)	(96.2%)	3.0%
Complaints per 100,000 boarded passengers*	99.7	107.7	120.2	187.3	201.8	(14.5)	(7.7%)	(19.3%)
<b>Ridership</b>								
Boarded passengers (system)	364.3	386.2	408.2	437.4	452.9	15.6	3.6%	5.6%
Revenue passengers (system) <sup>8</sup>	238.8	n/a	n/a	n/a	n/a			
Journeys (system) <sup>8</sup>	n/a	234.2	247.8	262.6	272.4	9.8	3.7%	5.2%
Average fare per revenue passenger (scheduled)*	\$ 2.06	n/a	n/a	n/a	n/a			
Average fare per journey (scheduled)*	n/a	\$ 2.24	\$ 2.31	\$ 2.35	\$ 2.42	\$ 0.07	3.0%	2.6%
<b>REGIONAL INDICATORS</b>								
Population of Service Region	2.51	2.56	2.59	2.62	2.69	0.07	2.7%	1.8%
Employment of Service Region	1.29	1.36	1.40	1.43	1.47	0.05	3.4%	3.3%

\* Per unit calculation

<sup>1</sup> This represents the accumulated funded resources as calculated under the SCBCTA Act and is the amount of resources available to fund future operations

<sup>2</sup> Includes bonds, debentures, capital leases, short-term debt net of sinking funds and debt reserve deposits

<sup>3</sup> Includes Deferred concessionaire credit for Canada Line and Contractor liability for Golden Ears Bridge

<sup>4</sup> Includes operating costs of Bus, Rail, Transit Police and Corporate On-going

<sup>5</sup> Restated 2017 to reflect year end adjustments

<sup>6</sup> Includes operating costs of Bus, Rail and Transit Police (excludes Corporate and Access Transit costs)

<sup>7</sup> Reflects billable crossings only, 2017-2018 comparable data not available due to the elimination of GEB Tolls effective September 1, 2017

<sup>8</sup> Journeys have replaced revenue passengers as the new ridership methodology, therefore comparative historical figures are not available

<sup>9</sup> 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 2015 is 20.0 per cent. The increase is primarily to provide additional liquidity ahead of the anticipated larger capital spend under Phase Two of the 10-Year Vision. Unrestricted cash and investments have decreased by \$14.9 million from 2018 mainly due to the timing of capital spending.

Capital assets increased from \$4.6 billion in 2015 to \$5.4 billion in 2019. This represents a CAGR increase of 4.0 per cent. Compared to 2018, capital assets increased \$302.1 million (5.9 per cent) mainly due to acquisition of new buses and SkyTrain vehicles for replacement and expansion, and investments in station upgrades and other various infrastructure and system improvements.

Net direct debt has increased by \$385.5 million since 2015, a 4.5 per cent CAGR increase, to help finance capital projects. Compared to 2018, net direct debt increased by \$4.0 million (0.2 per cent) as the rate of borrowing to finance expected capital spending has outpaced maturing debt.

Indirect P3 debt declined by \$110.7 million or 1.8 per cent CAGR since 2015. Compared to 2018, Indirect P3 debt decreased by \$30.3 million (2.0 per cent) mainly due to amortization of the Canada Line deferred concessionaire credit.

Gross interest costs as a percentage of operating revenues decreased from 12.4 per cent to 11.5 per cent over the five-year period due to lower interest rates and higher operating revenues. Compared to 2018, TransLink's gross interest costs as a percentage of operating revenues continued to decrease from 11.9 per cent to 11.5 per cent due to revenue growth continuing to outpace growth in interest cost. The ratio continues to be well within TransLink's 20.0 per cent policy limit.

## **Operating Indicators**

### **Scheduled Transit Service**

The overall performance rating which measures the average customer satisfaction across the entire system has been improving over the five year period, from a 7.5 out of 10 rating in 2015 to a 7.8 rating in 2019. The 2019 ratio remains the same as last year. Improvements throughout the past five year period are mainly due to:

- Continued progress on service expansion and service reliability including implementing 10-minute weekday SeaBus service and commissioning new buses and trains;
- Installation of Passenger Information Displays and setup of customer kiosks at SkyTrain and Bus Exchange locations to increase communications with customers to provide information and advice about travel plans; and
- Expansion of the system-wide use of "See Something, Say Something" campaign and enhanced public safety campaign and community outreach to increase public safety awareness.

Service hours increased by 1.5 per cent in 2019 over 2018 mainly as a result of service expansion for bus service to address overcrowding. Over the past five years, service hours has increased by a CAGR of 2.7 per cent as a result of service expansion, scheduling efficiencies and service optimization.

The total cost recovery ratio measuring the percentage of direct operating costs covered by transit revenues increased by 1.4 per cent in comparison to 2018 as revenue growth, driven by record ridership,

outpaced operating cost increases. Lower fuel, power and maintenance costs year over year also contributed to improvement in this ratio. The increase to the cost recovery ratio over the past five years by a CAGR of 2.4 per cent is mainly due to the increasing revenue trend since 2015.

Operating costs per capacity kilometre has increased by 1.5 per cent CAGR over the five-year period. Compared to 2018, this metric was 3.7 per cent higher mainly due to labour increases as a result of contractual increases and the new Employer Health Tax.

Complaints per million boarded customers decreased by 5.0 per cent in 2019 from 2018. This is mainly attributed to improvements in Transit Operator customer service and continued efforts to provide timely and consistent transit information to our customers. Over the last five years, complaints per million boarded customers have decreased by a CAGR of 2.2 per cent due to ongoing improvements in service expansion, safety and reliability.

### **Access Transit Service**

An additional 66,424 trips were delivered in 2019 as compared to 2018, which represents an increase of 5.0 per cent. This is mainly due to the expansion committed in the Investment Plan. Over the last 5 years, the number of trips delivered has increased by a CAGR of 3.5 percent.

Trip denials have decreased by 3.0 per cent CAGR since 2015. However, trip denials have increased from 0.7 thousand denials in 2018 to 1.4 thousand denials on 2019. This is mainly due to the increase in demand in 2019 exceeding our fleet capacity.

The decrease in operating costs per trip of 5.0 per cent from 2018 is due to a change in service providers. The contract terms for the new provider include standards tied to financial levers and more rigorous reporting and monitoring requirements, providing greater oversight and accountability for HandyDART's operations. Since 2015, the CAGR for operating cost per trip has improved by 0.9 per cent.

Complaints per one hundred thousand boarded passengers have increased by 7.7 per cent from 2018. Due to the increase in demand, HandyDART delivered more trips than planned in 2019, causing strain on the system and resulting in more passengers per HandyDART vehicle and increased use of taxis. With a goal to improve service, a concerted effort was made in 2019 to engage with HandyDART customers through surveys, community open houses, quarterly newsletters, and outreach calls. HandyDART Operator refresher training will be rolled out in January 2020 and the service provider will expand its customer service training to the taxi companies in 2020.

### **Ridership**

A Boarding represents each time a passenger enters a fare paid zone using Compass fare media or other proof of payment including transfers. Boardings for Scheduled Transit Service and Access Transit achieved a record of 452.9 million in 2019, growing by 5.6 per cent CAGR over the five-year period and 3.6 per cent over 2018.

Journeys represent a complete transit trip using Compass fare media or other proof of payment, regardless of the number of transfers. Journeys for Scheduled Transit Service and Access Transit also achieved a record of 272.4 million growing by 3.7 per cent over 2018.

Strong ridership growth in 2019 is a result of improved transit service and strong economic growth with low unemployment. Ridership growth slowed in the second half of the year following the July 1, 2019 fare

increase. Growth was also negatively impacted in November and December by the labour actions in the Bus and Rail divisions.

The Average Fare per Journey in 2019 was \$2.42 which is \$0.07 (3.0 per cent) higher than 2018 mainly due to the fare increases rolled out on July 1, 2019.

### 3. Consolidated Statement of Operational Analysis

CONSOLIDATED REVENUES AND EXPENSES Year ended December 31 (\$ thousands)	YEAR OVER YEAR				ACTUAL TO BUDGET		
	2019	2018	Change		2019	Budget Variance	
	ACTUAL	ACTUAL	Fav/(Unfav)	%	BUDGET <sup>2</sup>	Fav/(Unfav)	%
<b>Revenue</b>							
Taxation	906,969	819,354	87,615	10.7%	874,526	32,443	3.7%
Transit	685,362	638,015	47,347	7.4%	669,274	16,088	2.4%
Government transfers	398,523	303,498	95,025	31.3%	388,039	10,484	2.7%
Investment income	58,024	53,203	4,821	9.1%	52,850	5,174	9.8%
Amortization of deferred concessionaire credit	23,273	23,273	-	-	23,337	(64)	(0.3%)
Miscellaneous revenue	9,027	11,894	(2,867)	(24.1%)	5,882	3,145	53.5%
<b>Sub Total Continuing Operations</b>	<b>2,081,178</b>	<b>1,849,237</b>	<b>231,941</b>	<b>12.5%</b>	<b>2,013,908</b>	<b>67,270</b>	<b>3.3%</b>
Gain (Loss) on disposal of tangible capital assets	506	(34)	540	(1588.2%)	(122)	628	(514.8%)
<b>Total Revenue</b>	<b>2,081,684</b>	<b>1,849,203</b>	<b>232,481</b>	<b>12.6%</b>	<b>2,013,786</b>	<b>67,898</b>	<b>3.4%</b>
<b>Expenses</b>							
Bus Operations	758,865	724,883	(33,982)	(4.7%)	777,820	18,955	2.4%
Corporate Operations	103,260	96,795	(6,465)	(6.7%)	102,132	(1,128)	(1.1%)
Rail Operations	324,248	309,195	(15,053)	(4.9%)	326,870	2,622	0.8%
Roads and Bridges	95,083	91,210	(3,873)	(4.2%)	94,691	(392)	(0.4%)
Transit Police	40,888	38,308	(2,580)	(6.7%)	40,845	(43)	(0.1%)
Amortization of tangible capital assets <sup>1</sup>	212,942	197,854	(15,088)	(7.6%)	226,513	13,571	6.0%
Interest <sup>1</sup>	194,983	183,459	(11,524)	(6.3%)	185,118	(9,865)	(5.3%)
<b>Sub Total Continuing Operations</b>	<b>1,730,269</b>	<b>1,641,704</b>	<b>(88,565)</b>	<b>(5.4%)</b>	<b>1,753,989</b>	<b>23,720</b>	<b>1.4%</b>
Corporate One-time	18,210	22,029	3,819	17.3%	70,576	52,366	74.2%
<b>Total Expenses</b>	<b>1,748,479</b>	<b>1,663,733</b>	<b>(84,746)</b>	<b>(5.1%)</b>	<b>1,824,565</b>	<b>76,086</b>	<b>4.2%</b>
<b>Surplus for the Year</b>	<b>333,205</b>	<b>185,470</b>	<b>147,735</b>	<b>79.7%</b>	<b>189,221</b>	<b>143,984</b>	<b>76.1%</b>

<sup>1</sup> Amortization and Interest shown separately to facilitate analysis

<sup>2</sup> Budget reallocated due to approved contingency

TransLink ended the 2019 year with a \$333.2 million surplus. The increase over the prior year is mainly attributed to higher fuel and property tax revenues as well as higher funding by the Federal Gas Tax. Transit revenues continue to exceed expectations as a result of continued ridership growth, a robust economy and high employment rates.

Expenses have increased by 5.1 per cent from 2018, due to the service expansion for Conventional Bus and SkyTrain. Expenses were favourable to budget as a result of lower fuel prices and contract costs, fewer maintenance and repair costs as well as vacancy savings.

Details of the variances are provided in the following analysis.

## Consolidated Revenues – Comparison to 2018

CONSOLIDATED REVENUES		YEAR OVER YEAR		
Year ended December 31 (\$ thousands)	ACTUAL		Change	
	2019	2018	Fav/ (Unfav)	%
Taxation	906,969	819,354	87,615	10.7%
Transit	685,362	638,015	47,347	7.4%
Government transfers				
Senior Government Funding	338,451	245,632	92,819	37.8%
Golden Ears Bridge Tolling Replacement Revenue	60,072	57,866	2,206	3.8%
Investment income	58,024	53,203	4,821	9.1%
Amortization of deferred concessionaire credit	23,273	23,273	-	-
Miscellaneous revenue	9,027	11,894	(2,867)	(24.1%)
<b>Sub Total Continuing Operations</b>	<b>2,081,178</b>	<b>1,849,237</b>	<b>231,941</b>	<b>12.5%</b>
Gain (Loss) on disposal of tangible capital assets	506	(34)	540	1,588.2%
<b>Total Revenue</b>	<b>2,081,684</b>	<b>1,849,203</b>	<b>232,481</b>	<b>12.6%</b>

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 \$1.8 billion in 2018 to \$2.1 billion in 2019, mainly due to increased government transfers, taxation revenue and transit revenue.

The strong economy, high employment rates and high gas prices have led to higher demand for public transportation. Service expansion implemented throughout 2019 led to record ridership levels with 452.9 million boardings and 272.4 million journeys.

### Taxation

TAXATION REVENUES		YEAR OVER YEAR		
Year ended December 31 (\$ thousands)	ACTUAL		Change	
	2019	2018	Fav/ (Unfav)	%
Fuel tax	403,081	351,338	51,743	14.7%
Property tax	382,748	355,838	26,910	7.6%
Parking Rights tax	81,871	73,201	8,670	11.8%
Hydro levy	21,461	21,088	373	1.8%
Replacement tax	17,808	17,889	(81)	(0.5%)
<b>Total Taxation</b>	<b>906,969</b>	<b>819,354</b>	<b>87,615</b>	<b>10.7%</b>

Total taxation revenues were \$87.6 million (10.7 per cent) higher than 2018, mainly due to higher fuel, property and parking rights tax revenues.

Fuel tax revenue increased by \$51.7 million (14.7 per cent) compared to 2018, due in part to the increase in fuel tax rate from \$0.17/L to \$0.185/L which was in effect as of July 1, 2019. Higher fuel consumption of diesel and gasoline in the region also contributed to the growth in fuel tax revenue year over year. In addition, a \$14.5 million adjustment related to prior year sales was identified during the year and reflected in the 2019 results.

Property tax revenue increased by \$26.9 million (7.6 per cent) compared to 2018 due to legislative increases in taxation from existing properties, from new development and construction growth and from a \$10.0 million increase to property taxes that was part of the funding to pay for the Phase 2 expansion.

Parking rights tax revenue increased by \$8.7 million (11.8 per cent) over 2018 mainly due to the rate increase from 21.0 per cent to 24.0 per cent implemented on July 1, 2019.

## Transit

TRANSIT REVENUES Year ended December 31 (\$ thousands)	YEAR OVER YEAR			
	ACTUAL		Change	
	2019	2018	Fav/ (Unfav)	%
Fares	533,330	494,751	38,579	7.8%
Program	123,652	118,635	5,017	4.2%
<b>Total Fares</b>	<b>656,982</b>	<b>613,386</b>	<b>43,596</b>	<b>7.1%</b>
Other transit	28,380	24,629	3,751	15.2%
<b>Total Transit</b>	<b>685,362</b>	<b>638,015</b>	<b>47,347</b>	<b>7.4%</b>

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 2019 was \$685.4 million, an increase of \$47.3 million (7.4 per cent) over 2018.

In 2019, total revenue from fares was \$533.3 million which is \$38.6 million (7.8 per cent) higher than 2018. The increase is a result of the major service expansion rolled out in 2019 as part of the Investment Plan. Total ridership reached an all-time record high of 452.9 million boardings (3.6 per cent increase over 2018) equivalent to 272.4 million journeys across the entire system (3.7 per cent increase over 2018). The fare increase implemented on July 1, 2019 also contributed to the growth in revenue year over year.

Program revenue includes revenues from U-Pass BC and the BC Government Bus Pass programs. In 2019, program revenue totalled \$123.7 million, which is \$5.0 million (4.2 per cent) higher than 2018 mainly due to increased participation in both programs.

Other transit revenue totalled \$28.4 million in 2019, a \$3.8 million (15.2 per cent) increase over 2018. This was mainly due to increased advertising income, higher property rental revenues and an increase in the sale of carbon tax credits.

## Government Transfers

GOVERNMENT TRANSFERS Year ended December 31 (\$ thousands)	YEAR OVER YEAR			
	ACTUAL		Change	
	2019	2018	Fav/ (Unfav)	%
Senior Government Funding	338,451	245,632	92,819	37.8%
Golden Ears Bridge Tolling Replacement Revenue	60,072	57,866	2,206	3.8%
<b>Total Government Transfers</b>	<b>398,523</b>	<b>303,498</b>	<b>95,025</b>	<b>31.3%</b>

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 \$95.0 million (31.3 per cent) higher than 2018, as there were more Conventional Bus deliveries in 2019, attracting more Federal Gas Tax transfers to fund those projects.

### **Investment Income**

Investment income was \$4.8 million (9.1 per cent) higher than 2018 mainly due to higher interest rates as well as higher cash balance and investment holdings.

### **Miscellaneous Revenue**

Miscellaneous revenue decreased by \$2.9 million (24.1 per cent) from 2018, primarily due to the receipt of a \$4.1 million for a contract penalty payment in 2018.

### **Gain (Loss) on Disposal of Assets**

There has been a gain of \$0.5 million on disposal of assets related to land disposals. This represents an increase of \$0.5 million compared to 2018.



## Consolidated Revenues – Comparison to Budget

CONSOLIDATED REVENUES		ACTUAL TO BUDGET		
Year ended December 31 (\$ thousands)	ACTUAL	BUDGET	Budget Variance	
	2019	2019	Fav/ (Unfav)	%
Taxation	906,969	874,526	32,443	3.7%
Transit	685,362	669,274	16,088	2.4%
Government transfers				
Senior Government Funding	338,451	327,967	10,484	3.2%
Golden Ears Bridge Tolling Replacement Revenue	60,072	60,072	-	-
Investment income	58,024	52,850	5,174	9.8%
Amortization of deferred concessionaire credit	23,273	23,337	(64)	(0.3%)
Miscellaneous revenue	9,027	5,882	3,145	53.5%
<b>Sub Total Continuing Operations</b>	<b>2,081,178</b>	<b>2,013,908</b>	<b>67,270</b>	<b>3.3%</b>
Gain (Loss) on disposal of tangible capital assets	506	(122)	628	514.8%
<b>Total Revenue</b>	<b>2,081,684</b>	<b>2,013,786</b>	<b>67,898</b>	<b>3.4%</b>

Total revenue was \$67.9 million (3.4 per cent) favourable to budget mainly due to higher than expected taxation revenue, transit revenue and government funding.

### **Taxation**

TAXATION REVENUES		ACTUAL TO BUDGET		
Year ended December 31 (\$ thousands)	ACTUAL	BUDGET	Budget Variance	
	2019	2019	Fav/ (Unfav)	%
Fuel tax	403,081	368,904	34,177	9.3%
Property tax	382,748	384,744	(1,996)	(0.5%)
Parking Rights tax	81,871	81,301	570	0.7%
Hydro levy	21,461	21,577	(116)	(0.5%)
Replacement tax	17,808	18,000	(192)	(1.1%)
<b>Total Taxation</b>	<b>906,969</b>	<b>874,526</b>	<b>32,443</b>	<b>3.7%</b>

Total taxation revenue for 2019 at \$907.0 million was \$32.4 million (3.7 per cent) favourable to budget.

Fuel tax revenue was \$34.2 million (9.3 per cent) favourable to budget. A \$14.5 million adjustment related to prior year sales to increase fuel tax revenue was identified during the year, and reflected in the 2019 results. Fuel consumption of diesel and gasoline in the region was also higher than expected.

Property tax revenue was \$2.0 million (0.5 per cent) unfavourable to budget due to lower than expected development growth in 2019.

## Transit

TRANSIT REVENUES	ACTUAL TO BUDGET			
	ACTUAL	BUDGET	Budget Variance	
	2019	2019	Fav/ (Unfav)	%
Year ended December 31 (\$ thousands)				
Fares	533,330	521,318	12,012	2.3%
Program	123,652	122,915	737	0.6%
<b>Total Fares</b>	<b>656,982</b>	<b>644,233</b>	<b>12,749</b>	<b>2.0%</b>
Other transit	28,380	25,041	3,339	13.3%
<b>Total Transit</b>	<b>685,362</b>	<b>669,274</b>	<b>16,088</b>	<b>2.4%</b>

Total transit revenues were \$16.1 million (2.4 per cent) favourable to budget as a result of record high ridership and increased program participation.

Other transit revenue was \$3.3 million (13.3 per cent) favourable to budget due to increased revenues from property rentals, advertising and sale of carbon tax credits.

## Government Transfers

GOVERNMENT TRANSFERS	ACTUAL TO BUDGET			
	ACTUAL	BUDGET	Budget Variance	
	2019	2019	Fav/ (Unfav)	%
Year ended December 31 (\$ thousands)				
Senior Government Funding	338,451	327,967	10,484	3.2%
Golden Ears Bridge Tolling Replacement Revenue	60,072	60,072	-	-
<b>Total Government Transfers</b>	<b>398,523</b>	<b>388,039</b>	<b>10,484</b>	<b>2.7%</b>

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 \$10.5 million (2.7 per cent) favourable to budget primarily due to the timing of deliveries for replacement and expansion conventional buses, funded by the Federal Gas Tax.

## Investment Income

Investment income was \$5.2 million (9.8 per cent) favourable to budget mainly due to higher than expected interest rates and increased cash and sinking fund balances.

## Miscellaneous Revenue

Miscellaneous revenue was \$3.1 million (53.5 per cent) favourable to budget mainly due to the higher than anticipated labour recoveries. The timing of compressed natural gas (CNG) and energy-saving program contributions which were received in 2019 but expected in 2018 also contributed to the favourability.

## Gain (Loss) on Disposal of Assets

Gain on disposal of assets was \$0.6 million favourable due to disposal of land not budgeted in the year.

## Consolidated Expenses – Comparison to 2018

Year ended December 31 (\$ thousands)	CONSOLIDATED EXPENSES (BY SEGMENT)		YEAR OVER YEAR	
	ACTUAL		Change <sup>1</sup>	
	2019	2018	Fav/ (Unfav)	%
Bus Operations	758,865	724,883	(33,982)	(4.7%)
Corporate Operations	103,260	96,795	(6,465)	(6.7%)
Rail Operations	324,248	309,195	(15,053)	(4.9%)
Roads and Bridges	95,083	91,210	(3,873)	(4.2%)
Transit Police	40,888	38,308	(2,580)	(6.7%)
Amortization of tangible capital assets <sup>1</sup>	212,942	197,854	(15,088)	(7.6%)
Interest <sup>1</sup>	194,983	183,459	(11,524)	(6.3%)
<b>Sub Total Continuing Operations</b>	<b>1,730,269</b>	<b>1,641,704</b>	<b>(88,565)</b>	<b>(5.4%)</b>
Corporate One-time	18,210	22,029	3,819	17.3%
<b>Total Expenses by Segment</b>	<b>1,748,479</b>	<b>1,663,733</b>	<b>(84,746)</b>	<b>(5.1%)</b>

<sup>1</sup> Amortization and Interest shown separately to facilitate analysis

**Bus Operations** operating expenses were \$34.0 million (4.7 per cent) higher than 2018 mainly due to additional operating costs for service expansion delivered in 2019 as part of the Investment Plan. These costs include impacts of labour, contractual and economic increases. In addition, higher vehicle insurance rates and the new Employer Health Tax have also contributed to the increase in expenses year over year. These increases were partially offset by lower fuel prices, less vehicle maintenance costs and lower contracted services costs.

**Corporate Operations** expenses increased by \$6.5 million (6.7 per cent) from 2018 mainly due to contractual increases, costs incurred to upgrade the Compass system and refurbish the ticketing devices, and increased telecom, network and software requirements.

**Rail Operations** operating expenses were \$15.1 million (4.9 per cent) higher than 2018 mainly due to increased staffing to support projects and maintenance initiatives, higher maintenance activities to ensure a state of good repair and contractual and economic increases. These increases were partly offset by lower property taxes.

**Roads and Bridges** expenses were \$3.9 million (4.2 per cent) higher than 2018 mainly due to \$14.5 million of Rapid Bus construction costs in 2019 that were not present in 2018. This increase was partially offset by lower administration and contracted services costs due to the elimination of Golden Ears Bridge tolling and lower capital infrastructure contributions in 2019.

**Transit Police** expenses were \$2.6 million (6.7 per cent) higher in 2019 mainly due to wage increases (of which \$1.4 million is recoverable and recorded in miscellaneous revenue), increased employee future benefit costs, the new Employer Health Tax, higher software licensing costs, higher vehicle insurance premiums and increased purchases of police equipment.

**Amortization** expense increased by \$15.1 million (7.6 per cent) over 2018 as a result of a \$287.4 million increase in depreciable tangible capital assets. Main asset additions in 2019 were new buses for replacement and expansion, new SkyTrain vehicles, station upgrades and other various infrastructure and system upgrades.

**Interest** expense was \$11.5 million (6.3 per cent) higher than the prior year due to higher outstanding debt and the cost of settling a bond interest forward contract.

**Corporate One-time** expenses were \$3.8 million (17.3 per cent) lower than 2018. Large one-time costs incurred in 2019 included Rapid Bus Program, Regional Transportation Strategy and feasibility studies.

## Consolidated Expenses – Comparison to Budget

CONSOLIDATED EXPENSES (BY SEGMENT)		ACTUAL TO BUDGET		
Year ended December 31 (\$ thousands)	ACTUAL	BUDGET <sup>2</sup>	Budget Variance	
	2019	2019	Fav/ (Unfav)	%
Bus Operations	758,865	777,820	18,955	2.4%
Corporate Operations	103,260	102,132	(1,128)	(1.1%)
Rail Operations	324,248	326,870	2,622	0.8%
Roads and Bridges	95,083	94,691	(392)	(0.4%)
Transit Police	40,888	40,845	(43)	(0.1%)
Amortization of tangible capital assets <sup>1</sup>	212,942	226,513	13,571	6.0%
Interest <sup>1</sup>	194,983	185,118	(9,865)	(5.3%)
<b>Sub Total Continuing Operations</b>	<b>1,730,269</b>	<b>1,753,989</b>	<b>23,720</b>	<b>1.4%</b>
Corporate One-time	18,210	70,576	52,366	74.2%
<b>Total Expenses by Segment</b>	<b>1,748,479</b>	<b>1,824,565</b>	<b>76,086</b>	<b>4.2%</b>

<sup>1</sup> Amortization and Interest shown separately to facilitate analysis

<sup>2</sup> Budget reallocated due to approved contingency

**Bus Operations** operating expenses were \$19.0 million (2.4 per cent) favourable to budget mainly due to lower fuel prices and lower labour costs as a result of temporary vacancies. Access Transit was favourable due to lower than expected contract costs and lower fuel prices. This was partially offset by higher vehicle insurance premiums and snow removal costs.

**Corporate Operations** operating expenditures were \$1.1 million (1.1 per cent) unfavourable to budget mainly due to higher credit card settlement fees and the Cubic Asset refresh which was not budgeted for, partially offset by vacancy savings from temporary vacancies.

**Rail Operations** expenses were \$2.6 million (0.8 per cent) favourable to budget due to lower labour costs from vacancies, deferral of train condition assessments, lower West Coast Express contract services costs, lower than anticipated property taxes and favourable fuel and hydro costs. These savings were partly offset by higher overtime costs, increased train and rail maintenance activities and snow and ice removal costs.

**Road and Bridges** spending was \$0.4 million (0.4 per cent) unfavourable to budget mainly due to \$14.5 million in Rapid Bus construction costs which were budgeted in Corporate One-time being allocated to Roads and Bridges, partly offset by timing of capital infrastructure contributions to municipalities.

**Transit Police** operating expenses were \$0.04 million (0.1 per cent) unfavourable to budget mainly due to increased police equipment purchases as well as higher vehicle and facility maintenance costs; offset by vacancy savings.

**Amortization** expense was \$13.6 million (6.0 per cent) favourable to budget mainly due to delays in revenue vehicle deliveries, changes in the estimated useful lives of the Richmond and Vancouver Transit Centers and timing of project capitalization of station upgrades.

**Interest** expense was \$9.9 million (5.3 per cent) unfavourable to budget mainly due to lower capitalization of interest due to delays in capital spending and the settlement cost of a bond forward contract. This is partly offset by lower interest rates and reduced borrowings due to the delay in capital spending.

**Corporate One-time** costs were \$52.4 million (74.2 per cent) favourable to budget mainly due to Rapid Bus construction costs allocated to the Roads and Bridges, the timing of expenditures and delays in the Rapid Bus project, fewer feasibility studies being conducted 2019 than planned, unused operating contingency funding, and delays in the South of Fraser Rapid Transit projects.

## Consolidated Expenses by Category – Comparison to 2018

CONSOLIDATED EXPENSES (BY CATEGORY)								
Year ended December 31 (\$ thousands)	2019 Actual			2018 Actual			Ongoing Expenses	
	Ongoing	One-time <sup>1</sup>	Total	Ongoing	One-time <sup>1</sup>	Total	Fav/ (Unfav)	%
Administration	48,570	2,776	51,346	48,181	1,361	49,542	(389)	(0.8%)
Amortization of tangible capital assets	212,942	-	212,942	197,854	-	197,854	(15,088)	(7.6%)
Capital infrastructure contributions	37,310	-	37,310	40,416	-	40,416	3,106	7.7%
Contracted services	222,489	-	222,489	220,349	-	220,349	(2,140)	(1.0%)
Fuel and power	67,755	-	67,755	71,706	-	71,706	3,951	5.5%
Insurance	28,435	-	28,435	24,142	-	24,142	(4,293)	(17.8%)
Interest	194,983	-	194,983	183,459	-	183,459	(11,524)	(6.3%)
Maintenance, materials and utilities	175,763	216	175,979	163,271	335	163,606	(12,492)	(7.7%)
Professional and legal	18,333	13,404	31,737	20,018	10,751	30,769	1,685	8.4%
Rentals, leases and property tax	29,414	199	29,613	26,938	-	26,938	(2,476)	(9.2%)
Salaries, wages and benefits	694,275	1,615	695,890	645,371	1,282	646,653	(48,904)	(7.6%)
Write-down of tangible capital assets	-	-	-	-	8,299	8,299	-	-
<b>Total Expenses by Category</b>	<b>1,730,269</b>	<b>18,210</b>	<b>1,748,479</b>	<b>1,641,705</b>	<b>22,028</b>	<b>1,663,733</b>	<b>(88,564)</b>	<b>(5.4%)</b>

<sup>1</sup> One-time expenses shown separately to facilitate analysis

### Ongoing Expenses

**Administration** costs increased \$389.0 thousand (0.8 per cent) over 2018 mainly due to increased telecom, network and software requirements, as well as higher fare media usage.

**Amortization** expense increased by \$15.1 million (7.6 per cent) over 2018 as a result of a \$302.1 million increase in depreciable tangible capital assets. Main asset additions in 2019 were new buses for replacement and expansion, new SkyTrain vehicles, station upgrades and other various infrastructure and system upgrades.

**Capital infrastructure contributions** decreased by \$3.1 million (7.7 per cent) over 2018 mainly due to the timing of capital infrastructure contributions to municipalities.

**Contracted services** increased by \$2.1 million (1.0 per cent) over 2018 mainly due to higher contractual costs for Compass and Canada Line, costs to upgrade the Compass system and refurbish the ticketing devices, partly offset by lower contracted services incurred on the delivery of a bus route to West Vancouver as CMBC now delivers the route under their service plan.

**Fuel and power** costs decreased by \$4.0 million (5.5 per cent) over the prior year mainly due to lower fuel prices.

**Insurance** costs increased by \$4.3 million (17.8 per cent) over 2018 mainly due to higher vehicle insurance rates.

**Interest** expense increased by \$11.5 million (6.3 per cent) over 2018 mainly due to higher outstanding debt and the cost of settling a bond interest forward contract.

**Maintenance, materials and utilities** increased by \$12.5 million (7.7 per cent) over 2018 mainly due to higher train and rail infrastructure maintenance costs and \$14.5 million in Rapid Bus construction costs allocated to Roads and Bridges.

**Professional and legal** fees decreased by \$1.7 million (8.4 per cent) over 2018 mainly due to lower environmental remediation costs for the Oakridge Transit Centre as well as fewer assessments, studies and consulting projects.

**Rentals, leases and property tax** expenses increased by \$2.5 million (9.2 per cent) over the prior year mainly due to the higher occupancy costs as a result of office expansion and increases in property taxes from increased assessment values and an increase in the number of properties held.

**Salaries and wages** increased \$48.9 million (7.6 per cent) over the prior year mainly due to increased service levels as a result of bus and rail service expansion, the newly introduced Employer Health Tax, as well as contractual and economic labour increases.



## Consolidated Expenses by Category – Comparison to Budget

CONSOLIDATED EXPENSES (BY CATEGORY)								
Year ended December 31 (\$ thousands)	2019 Actual			2019 Budget <sup>2</sup>			Ongoing Expenses	
	Ongoing	One-time <sup>1</sup>	Total	Ongoing	One-time <sup>1</sup>	Total	Fav/ (Unfav)	%
Administration	48,570	2,776	51,346	50,296	2,000	52,296	1,726	3.4%
Amortization of tangible capital assets	212,942	-	212,942	226,513	-	226,513	13,571	6.0%
Capital infrastructure contributions	37,310	-	37,310	49,780	-	49,780	12,470	25.1%
Contracted services	222,489	-	222,489	223,911	-	223,911	1,422	0.6%
Fuel and power	67,755	-	67,755	80,540	-	80,540	12,785	15.9%
Insurance	28,435	-	28,435	29,571	-	29,571	1,136	3.8%
Interest	194,983	-	194,983	185,118	-	185,118	(9,865)	(5.3%)
Maintenance, materials and utilities	175,763	216	175,979	155,621	810	156,431	(20,141)	(12.9%)
Professional and legal	18,333	13,404	31,737	22,505	64,579	87,084	4,172	18.5%
Rentals, leases and property tax	29,414	199	29,613	30,051	-	30,051	637	2.1%
Salaries, wages and benefits	694,275	1,615	695,890	700,084	3,186	703,270	5,809	0.8%
Write-down of tangible capital assets	-	-	-	-	-	-	-	-
<b>Total Expenses by Category</b>	<b>1,730,269</b>	<b>18,210</b>	<b>1,748,479</b>	<b>1,753,990</b>	<b>70,575</b>	<b>1,824,565</b>	<b>23,722</b>	<b>1.4%</b>

<sup>1</sup> One-time expenses shown separately to facilitate analysis

<sup>2</sup> Budget reallocated due to approved contingency

### Ongoing Expenses

**Administration** costs were \$1.7 million (3.4 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. The savings were partly offset by higher Compass credit card settlement fees as a result of a higher number of transactions and higher cloud hosting costs.

**Amortization** expense was \$13.6 million (6.0 per cent) favourable to budget mainly due to delays in revenue vehicle deliveries, changes in the estimated useful lives of the Richmond and Vancouver Transit Centers and timing of project capitalization of station upgrades.

**Capital infrastructure contributions** were favourable by \$12.5 million (25.1 per cent) primarily due to the timing of capital infrastructure contributions to municipalities.

**Contracted services** were \$1.4 million (0.6 per cent) favourable to budget mainly due to savings as a result of the contractual performance discount received from West Coast Express's service provider and lower Access Transit operating costs.

**Fuel and power** costs were \$12.8 million (15.9 per cent) favourable to budget mainly to lower than anticipated prices.

**Insurance** was \$1.1 million (3.8 per cent) favourable to budget mainly due to lower than expected claims to TransLink's Transportation Property Casualty Company (TPCC).

**Interest** expense was \$9.9 million (5.3 per cent) unfavourable to budget mainly due to lower capitalization of interest due to project delays and the settlement cost of a bond forward contract, partly offset by lower interest rates and reduced borrowings due to the delay in capital spending.

**Maintenance, materials and utilities** expenses were \$20.1 million (12.9 per cent) unfavourable to budget mainly due to \$14.5 million in Rapid Bus construction costs which were budgeted in Corporate One-time being allocated to Roads and Bridges, higher train and rail infrastructure maintenance costs, higher snow removal costs as well as the write-off of Mark I trains' obsolete vehicle parts.

**Professional and legal fees** were \$4.2 million (18.5 per cent) favourable to budget mainly due to delays in the Mark II trains' condition assessment and lower consulting fees.

**Rentals, leases and property tax expenses** were \$0.6 million (2.1 per cent) favourable to budget mainly due to lower than expected property tax assessments.

**Salaries and wages** were \$5.8 million (0.8 per cent) favourable to budget mainly due to vacancy savings, partially offset by higher overtime costs a result of vacancy coverage, severance payments and lower salary capitalization due to capital project delays.

## 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, 2019, TransLink's total capital program budget was \$5.5 billion, which includes:

- \$3.3 billion in active capital projects;
- \$310.6 million in Approved-In-Principle (AIP) capital projects;
- \$1.3 billion in substantially complete capital projects; and
- \$324.6 million in capital infrastructure contributions to municipalities.

SUMMARY OF CAPITAL PROGRAM						
As of December 31, 2019 (\$ thousands)	Number of Projects	Total Current Budget	Final Forecast Cost	Forecast Variance to Current Budget		Senior Government Funding (Committed)
				Fav/(Unfav)	%	
<b>Capital Projects</b>						
Active	148	3,317,265	3,293,165	24,098	0.7%	2,010,301
AIP	28	310,595	310,595	-	-	123,188
<b>Subtotal</b>	<b>176</b>	<b>3,627,860</b>	<b>3,603,760</b>	<b>24,098</b>	<b>0.7%</b>	<b>2,133,489</b>
Substantially Complete	67	1,331,480	1,296,466	35,014	2.6%	601,874
Closed	28	158,875	146,892	11,983	7.5%	93,468
Cancelled	7	31,024	31,024	-	-	-
<b>Subtotal</b>	<b>102</b>	<b>1,521,379</b>	<b>1,474,382</b>	<b>46,997</b>	<b>3.1%</b>	<b>695,342</b>
<b>Capital Infrastructure Contributions - Active</b>						
Active	19	324,595	322,152	2,443	0.8%	-
<b>Subtotal</b>	<b>19</b>	<b>324,595</b>	<b>322,152</b>	<b>2,443</b>	<b>0.8%</b>	<b>-</b>
<b>Total Capital Program</b>	<b>297</b>	<b>5,473,834</b>	<b>5,400,294</b>	<b>73,538</b>	<b>1.3%</b>	<b>2,828,831</b>

The capital program is supported in part by \$2.8 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, 2019, there were 215 active and substantially complete projects with a final forecasted cost of \$4.6 billion. The total cash flows for these projects during the year were \$619.8 million.

SUMMARY OF ACTIVE PROJECTS								
As of December 31, 2019 (\$ thousands)	Number of Projects	Current Budget	2019 YTD Spending	Cumulative Spending to Date	Final Forecast Cost	Forecast Variance to Current Budget		Senior Government Funding (Committed)
						Fav/(Unfav)	%	
<b>Active</b>								
Equipment	19	174,295	37,870	46,598	169,865	4,430	2.5%	43,342
Infrastructure	78	829,989	128,887	234,837	840,600	(10,613)	(1.3%)	322,885
Major Construction	5	487,743	15,781	72,391	476,803	10,940	2.2%	205,439
Technology	21	75,821	13,951	32,192	75,712	109	0.1%	-
Vehicle	25	1,749,417	236,279	510,560	1,730,185	19,232	1.1%	1,438,635
<b>Subtotal (Active Capital Projects)</b>	<b>148</b>	<b>3,317,265</b>	<b>432,768</b>	<b>896,578</b>	<b>3,293,165</b>	<b>24,098</b>	<b>0.7%</b>	<b>2,010,301</b>
<b>Substantially Complete</b>	<b>67</b>	<b>1,331,480</b>	<b>187,050</b>	<b>1,284,134</b>	<b>1,296,466</b>	<b>35,014</b>	<b>2.6%</b>	<b>601,874</b>
<b>Total Active Capital Projects</b>	<b>215</b>	<b>4,648,745</b>	<b>619,818</b>	<b>2,180,712</b>	<b>4,589,631</b>	<b>59,112</b>	<b>1.3%</b>	<b>2,612,176</b>

## Active Capital Projects

As of December 31, 2019, there were 148 active projects with expenditures of \$432.8 million in the year of 2019 and \$896.6 million in cumulative spending to date. A comparison of active project budgets against forecasted final costs show a favourable variance of \$24.1 million (0.7 percent).

Infrastructure spending of \$128.9 million for the year ending 2019 includes a total of \$51.7 million spent on SkyTrain system upgrade projects such as escalators, roof replacements, replacing platform LED screens, running rail replacements and expansion of the Coquitlam vehicle storage facility. Also included is \$11.4 million on investments in transit on priority RapidBus corridors. These upgrades will improve customer experience, address system capacity issues and maintain a state of good repair.

Major Construction spending of \$15.8 million for the year ending 2019 includes work on the South of Fraser rapid transit and Broadway Subway projects which will support service expansion. The Broadway Subway project is being delivered by the Province of BC with support from TransLink to achieve seamless system integration with the region's existing SkyTrain service.

Vehicle spending of \$236.3 million for the year ending 2019 includes a total of \$190.9 million spent related mainly to the procurement of Mark III SkyTrain vehicles, Conventional Bus Replacement, Conventional Bus Expansion and Canada Line Fleet Expansion projects. These projects add to the existing rail and bus fleet to support further service expansion and to maintain the fleet in a state of good repair.

### Substantially Complete Capital Projects

As of December 31, 2019, there were 67 projects with a total budget of \$1.3 billion deemed substantially complete with \$187.1 million spent year to date. These projects are in the final stages of project activity. The total expected favourable variance for these projects at completion is \$35.0 million (2.6 percent) mainly due to the Metrotown Station and Exchange upgrades, Surrey Central Station upgrades and the 2018 Conventional Bus Replacement project.

### Approved in Principle (AIP) Capital Projects

As of December 31, 2019, there were 28 AIP projects remaining to be initiated with a total budget of \$310.6 million. Of the 28 projects, 3 projects with a budget of \$11.7 million were carried forward from 2018 and 25 projects with a budget of \$298.8 million are new in 2019.

<b>SUMMARY OF AIP PROJECTS</b>			
<b>As of December 31, 2019 (\$ thousands)</b>	<b>Number of Projects</b>	<b>Current Budget</b>	<b>Senior Government Funding (Committed)</b>
<b>Capital Projects</b>			
Equipment	7	75,210	22,318
Infrastructure	14	171,345	93,300
Technology	5	55,990	-
Vehicle	2	8,050	7,570
<b>Total AIP Projects</b>	<b>28</b>	<b>310,595</b>	<b>123,188</b>

Significant infrastructure and equipment projects remaining in AIP include Phase 2 investments in the Rapid Bus corridors and SkyTrain facility and systems improvements. Significant technology projects remaining in AIP include Enterprise Asset Management System and Bus Security Camera upgrades.

### Closed Capital Projects

As of December 31, 2019, 28 projects with a final cost of \$146.9 million and an approved budget of \$158.9 million were completed and closed. Significant closed projects include Expo Line Propulsion Power Upgrade, South of Fraser Rapid Transit Advance works and Conventional Bus and HandyDART replacements.

## Cancelled Capital Projects

As of December 31, 2019, seven AIP projects with a budget of \$31.0 million were cancelled, including three projects totaling \$22.9 million for bus loops and BSP integration, three projects totaling \$7.4 million that will be consolidated into other projects and one that has been determined to be an operating cost.

## Capital Infrastructure Contributions

These expenditures consist of contributions to municipalities for the rehabilitation and upgrade of the Major Road Network (MRN) as well as pedestrian and bike pathways. TransLink does not own these underlying assets; therefore, the costs are expensed in the year they are incurred.

As of December 31, 2019, there were 19 active programs with a budget of \$324.6 million. Significant portion of the \$42.9 million contributions in 2019 relates to seismic rehabilitation projects funded under the Major Road Network and Bike Capital Program.

Summary of Infrastructure Contribution Programs						Forecast Variance to Current Budget	
As of December 31, 2019 (\$ thousands)	Number of Projects	Current Budget	2019 YTD Spending	Cumulative Spending to Date	Final Forecast Cost	Fav/ (Unfav)	%
Major Road Network and Bike Capital Program	11	203,334	41,492	120,741	201,085	2,249	1.1%
Major Road Network Structurers Funding Program	2	32,500	79	79	32,479	21	0.1%
Major Road Network Upgrades	3	76,261	0	75,190	75,752	509	0.7%
Walking Infrastructure to Transit	3	12,500	1,408	1,958	12,836	(336)	(2.7)%
<b>Grand Total</b>	<b>19</b>	<b>324,595</b>	<b>42,979</b>	<b>197,968</b>	<b>322,152</b>	<b>2,443</b>	<b>0.8%</b>

## 5. Changes in Financial Position

### Financial Assets

Financial Assets				
As at December 31 (\$ thousands)	2019	2018	Change	%
Cash and cash equivalents	502,060	517,022	(14,962)	(2.9%)
Accounts receivable	246,889	250,598	(3,709)	(1.5%)
Loans receivable	190,009	250,734	(60,725)	(24.2%)
Restricted cash and cash equivalents and investments	1,101,107	979,894	121,213	12.4%
Investments	61,281	61,173	108	0.2%
Debt reserve deposits	27,989	29,421	(1,432)	(4.9%)
<b>Financial Assets</b>	<b>2,129,335</b>	<b>2,088,842</b>	<b>40,493</b>	<b>1.9%</b>

See the “Liquidity and Capital Resources” section for the discussion on cash and cash equivalents.

The decrease in accounts receivable of \$3.7 million (1.5 per cent) was mainly due to collections for funding from the Provincial government.

Loan receivable represents the net present value of future payments of proceeds from the 2016 sale of the Oakridge Transit Centre. The decrease of \$60.7 million (24.2 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

Restricted Cash and Investments				
As at December 31 (\$ thousands)	2019	2018	Change	%
Government transfers for capital project funding	433,198	533,538	(100,340)	(18.8%)
TPCC's Investments	24,123	25,095	(972)	(3.9%)
Green Bond Proceeds	108,373	11,688	96,685	827.2%
Land reserve	200,383	145,330	55,053	37.9%
<b>Sub-total</b>	<b>766,077</b>	<b>715,651</b>	<b>50,426</b>	<b>7.0%</b>
<b>Total self administered sinking funds</b>	<b>335,030</b>	<b>264,243</b>	<b>70,787</b>	<b>26.8%</b>
<b>Total Restricted cash and investments</b>	<b>1,101,107</b>	<b>979,894</b>	<b>121,213</b>	<b>12.4%</b>

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 was \$121.2 million (12.4 per cent) despite the \$100.2 million decrease of government transfers for capital project funding. All other restricted funds grew due

to the additions to green bond proceeds and the land reserve together with further contributions to the self-administered sinking funds.

## **Liabilities**

<b>Liabilities</b>				
As at December 31				
(\$ thousands)	2019	2018	Change	%
Accounts payable and accrued liabilities	368,232	340,267	27,965	8.2%
Debt	2,738,435	2,665,085	73,350	2.8%
Deferred government transfers	1,188,463	1,249,094	(60,631)	(4.9%)
Golden Ears Bridge contractor liability	1,033,348	1,040,378	(7,030)	(0.7%)
Deferred concessionaire credit	479,239	502,512	(23,273)	(4.6%)
Employee future benefits	143,709	139,653	4,056	2.9%
Deferred revenue and deposits	62,201	55,136	7,065	12.8%
Deferred lease inducements	13,452	12,544	908	7.2%
<b>Liabilities</b>	<b>6,027,079</b>	<b>6,004,669</b>	<b>22,410</b>	<b>0.4%</b>

See the “Liquidity and Capital Resources” section for debt.

The net decrease in deferred government transfer of \$60.6 million (4.9 per cent) was due to revenues recognized as the funding stipulations are met, partly offset by funding received during the period.

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 over the operating term of the concessionaire agreement, which will expire in July 2040.

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

The increase in deferred revenues and deposits of \$7.1 million (12.8 per cent) was attributable to unearned transit fare revenue and Compass Card deposits received.



## **Non-Financial Assets**

<b>Non-Financial Assets</b>				
As at December 31				
(\$ thousands)	2019	2018	Change	%
Tangible capital assets	5,381,268	5,079,162	302,106	5.9%
Supplies inventory	84,556	74,244	10,312	13.9%
Prepaid expenses	30,910	28,206	2,704	9.6%
Non-Financial Assets	5,496,734	5,181,612	315,122	6.1%

Tangible Capital assets increased by \$302.1 million (5.9 per cent) due to asset additions (net of disposals and transfers) of \$515.3 million offset by amortization of \$212.9 million. See the “Investments in Capital Assets” for discussion on project activities.

### **Capital Asset Additions**

For the year ended December 31, 2019 tangible capital assets increased by a net amount of \$302.1 million which represents \$515.3 million additions to capital assets less the following:

- \$212.9 million of amortization; and
- \$0.2 million in disposals

The addition of \$515.3 million during the year was primarily made up of the following items:

#### **Additions to other supporting systems of \$107.8 million primarily related to:**

- \$59.8 million for Canada Line stations, OMC and system upgrades.
- \$27.3 million for Broadway Commercial Skytrain Station upgrades.
- \$7.2 million for Passenger Information Display (PID) upgrades at Skytrain Stations.
- \$5.2 million for Surrey Central Skytrain Station upgrades.

#### **Additions to vehicles of \$348.2 million primarily related to:**

- \$257.3 million for expansion and replacement of the conventional bus fleet including 102 60' articulated diesel electric hybrid, 46 40' CNG, 66 40' BAE hybrid, 14 double decker and 1 diesel highway bus.
- \$75.4 million for Mark III Skytrain cars for the Expo and Millennium lines.
- \$6.6 million for expansion and replacement of 50 HandyDart vehicles.
- \$6.5 million for expansion and replacement of 34 Community Shuttle vehicles.

#### **Additions to land and buildings of \$25.8 million related to:**

- \$14.8 million for Broadway Commercial Skytrain Station upgrades.
- \$5.0 million for Nanaimo Bus Loop upgrades.
- \$2.9 million for Seabus terminals improvements.
- \$2.3 million for 22nd Street Exchange lighting and other upgrades.

**Additions to equipment of \$37.0 million primarily related to:**

- \$8.8 Seabus for South Seawall & Skywalk seismic upgrades.
- \$5.0 million for Expo and Millennium Line System signage and fixture replacement.
- \$3.1 million for expanding IT infrastructure and replacing aging IT hardware.
- \$3.0 million for Trolley overhead equipment.
- \$1.5 million for replacing bus cameras and centralized video system.
- \$1.0 million for Expo Line Rail Pads Replacement.

**Net reduction to work in progress of \$3.5 million primarily related to:**

Capital additions to work-in-progress amounted to \$474.2 million for the year offset by \$477.7 million in transfers of completed projects into their respective asset classes. The main movements for the year related to SkyTrain vehicle purchases, conventional bus purchases and major SkyTrain station upgrades. The impact of these projects is as follows:

- Mark III Skytrain vehicles – addition of \$16.9 million offset by capitalization of \$75.3 million.
- Conventional Buses – addition of \$262.0 million offset by capitalization of \$257.3 million.
- Commercial Broadway and Surrey Central Station upgrades – addition of \$14.8 million offset by capitalization of \$32.5 million

## 6. Liquidity and Capital Resources

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

<b>Unrestricted Cash and Investments</b>				
As at December 31 (\$ thousands)	2019	2018	Change	%
Cash and cash equivalents	502,060	517,022	(14,962)	(2.9%)
Investments	61,281	61,173	108	0.2%
<b>Total</b>	<b>563,341</b>	<b>578,195</b>	<b>(14,854)</b>	<b>(2.6%)</b>

Cash and cash equivalents and investments decreased by \$15.0 million (2.9 per cent) primarily due to the timing of capital spending. TransLink's strong liquidity position is further supported by a \$500.0 million commercial paper program, of which \$60.0 million is outstanding at year end.

### **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 300.0 per cent; debt service coverage represents gross interest costs (PSAB basis) as a percentage of operating revenue of not more than 20.0 per cent. TransLink continues to remain within these policy limits.

<b>Financing</b>				
As at December 31 (\$ thousands)	2019	2018	Change	%
Debt	2,738,434	2,665,085	73,349	2.8%
Less: Self-administered sinking funds	(335,032)	(264,243)	(70,789)	(26.8%)
Less: Debt reserve deposits	(27,989)	(29,421)	1,432	4.9%
<b>Net Direct Debt</b>	<b>2,375,413</b>	<b>2,371,421</b>	<b>3,992</b>	<b>0.2%</b>
Golden Ears Bridge contractor liability	1,033,348	1,040,378	(7,030)	(0.7%)
Deferred concessionaire credit	479,239	502,512	(23,273)	(4.6%)
<b>Indirect P3 Debt</b>	<b>1,512,587</b>	<b>1,542,890</b>	<b>(30,303)</b>	<b>(2.0%)</b>
<b>Subtotal Net Direct Debt and Indirect P3 Debt</b>	<b>3,888,000</b>	<b>3,914,311</b>	<b>(26,311)</b>	<b>(0.7%)</b>

Debt, which primarily finances capital spending, increased by \$73.3 million (2.8 per cent). This was the result of the second green bond issuance of \$200.0 million, offset by scheduled debt repayments and the repayment of \$60.0 million of commercial paper. As part of TransLink's continuing green bond issuance program, a green bond framework developed in 2018 details what types of projects 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. As at the end of 2019, \$108.4 million of the proceeds of TransLink's second green bond remains unspent in a restricted account.

Indirect P3 Debt decreased by \$30.3 million (2.0 per cent) through the principal repayment of \$7.0 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 decreased by \$26.3 million (0.7 per cent) primarily through indirect 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.

Credit Rating				
As at December 31, 2019 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, 2019, TransLink's outstanding debt obligation, as defined above, was \$3.31 billion<sup>1</sup>.

<sup>1</sup> Debt of \$2.74 billion plus MFA administered sinking funds of \$0.59 billion and net of capital lease reductions since inception, unamortized issue costs and unamortized premiums/discounts of \$0.02 billion.

## 7. Risk Factors

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### **Financial Risk**

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

### **Credit Risk**

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

#### *(a) Accounts Receivable*

The large majority of TransLink's accounts receivables are from the Province of BC (fuel tax, capital, project funding, toll replacement funding and program passes) and the Federal Government (GST rebate). For these balances, collectability risk is not significant.

#### *(b) Loan receivable*

The loan receivable is due from Intergulf-Modern Green Development Corp., the purchaser of the Oakridge Transit Centre. The remaining payments are due over approximately the next three years and secured by a mortgage against the property.

#### *(c) Investments Credit*

The 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 \$500.0 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 \$500.0 million committed out to March 2023 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 the year of 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 significant exposure to losses arising from fluctuations in exchange rates.

*(c) Commodity Risk*

TransLink's commodity risk pertains to the 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 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) Local 387 and Transit Police Professional Association (TPPA).

A three-year agreement has been successfully negotiated between CMBC and Unifor as well as a four-year agreement has been negotiated between BCRTC and CUPE, which represent the employees that have the greatest potential to have an operational impact on service.

CMBC is currently in separate negotiations with MoveUP and CUPE for a replacement agreement as their respective agreements expired on March 31, 2019 and December 31, 2018. TransLink's Agreement with MoveUP expired on March 31, 2019 and negotiations are expected to commence in February 2020. Transit Police's Agreement expired on December 31, 2019 and the parties have agreed to commence negotiations in two to three months.

There is potential for a labour dispute in any of the agreements that are currently expired. The risk to operations is significantly less than that posed by the CMBC and Unifor as well as BCRTC and CUPE job action, hence the contingency planning from the 2019 job action places the enterprise in a significantly more prepared state that further mitigates the risk.

### **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***

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The 2019 Audited Consolidated Financial Statements are attached at the end of the report.



## Appendix 2 – Five Year Historical Schedules

5 YEAR CONSOLIDATED REVENUES						Compound Annual Growth Rate (CAGR) 2015-2019
Year ended December 31 (\$ millions)	2015	2016	2017	2018	2019	
Taxation	772.7	825.7	821.3	819.4	907.0	4.1%
Transit	511.4	541.6	591.0	638.0	685.4	7.6%
Government transfers *	228.9	240.5	166.9	303.5	398.5	14.9%
Golden Ears Bridge tollings	48.4	52.1	29.7	-	-	(100.0%)
Investment income	34.4	40.6	50.3	53.2	58.0	14.0%
Amortization of deferred concessionaire credit	23.3	23.3	23.3	23.3	23.3	0.0%
Miscellaneous revenue	6.1	6.4	7.0	11.9	9.0	10.3%
Sub Total Continuing Operations	1,625.4	1,730.2	1,689.5	1,849.3	2,081.2	6.4%
Gain/loss on disposal of tangible capital assets	2.3	422.2	(1.1)	(0.0)	0.5	(31.4%)
<b>Total Revenue</b>	<b>1,627.7</b>	<b>2,152.3</b>	<b>1,688.4</b>	<b>1,849.3</b>	<b>2,081.7</b>	<b>6.3%</b>

\* 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 6.3 per cent since 2015 while revenue from Continuing Operations grew at an annual CAGR of 6.4 per cent.

Taxation and transit revenues have grown in-line with population growth and a strong economy. The increase in service and significant investment in assets and technology in the past 5 years have contributed to the growth in transit revenues. Legislative rate increases over the years have also added to the growth in taxation and transit revenues.

Government transfers have had a CAGR of 14.9 per cent since 2015, due to an increase in project spending and related government funding for service expansion and the introduction of Tolling Replacement revenue to account for the elimination of the Golden Ears Bridge tolling on September 1, 2017. The increase in 2019 is a result of higher Federal Gas tax transfers driven by timing of project spending.

Investment income has grown at 14.0 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 has grown at 10.2 per cent CAGR over the five-year period and consists of third party recoveries related to warranties, sales of energy credits, and other recoverable costs.

5 YEAR CONSOLIDATED EXPENSES (BY SEGMENT)						Compound Annual Growth Rate (CAGR) 2015-2019
Year ended December 31 (\$ millions)	2015	2016	2017	2018	2019	
Bus division	643.50	656.5	688.9	724.9	758.9	4.2%
Corporate operations	80.9	91.2	98.0	96.8	103.3	6.3%
Rail division	268.3	265.9	297.4	309.2	324.2	4.8%
Roads & Bridges	71.2	52.5	84.2	91.2	95.1	7.5%
Transit Police	33.1	33.8	37.2	38.3	40.9	5.4%
Amortization of tangible capital assets *	168.3	181.7	192.2	197.8	212.9	6.1%
Interest *	167.9	172.7	181.8	183.5	195.0	3.8%
Sub Total Continuing Operations	1,433.2	1,454.3	1,579.5	1,641.7	1,730.3	4.8%
Corporate and Roads & Bridges One-time	32.1	29.7	12.6	22.0	18.2	-13.2%
<b>Total Expenses by Segment</b>	<b>1,465.3</b>	<b>1,484.0</b>	<b>1,592.1</b>	<b>1,663.7</b>	<b>1,748.5</b>	<b>4.5%</b>

\*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 4.5 per cent since 2015. Excluding One-time costs, the CAGR is 4.8 per cent. Roads & Bridges costs have increased due to the timing of capital infrastructure contributions to municipalities. Transit Police expenses have increased mainly

due to increased labour costs as a result of additional hiring of Transit Police Officers. Amortization expense has increased mainly due to an increase in depreciable tangible capital assets as a result of service expansion. Bus Operations costs have increased mainly due to increased labour costs as a result of service expansion, higher contracted services and higher vehicle insurance rates. Rail Operations costs have increased mainly due to increase labour costs as a result of service expansion, higher contracted services, and higher maintenance costs to ensure a state of good repair.

5 YEAR CONSOLIDATED EXPENSES (BY CATEGORY)						Compound Annual Growth Rate (CAGR)
Year ended December 31 (\$ millions)	2015	2016	2017	2018	2019	2015-2019
Administration	32.8	38.9	41.7	48.2	48.6	10.3%
Amortization of capital assets	168.3	181.8	192.2	197.9	212.9	6.1%
Capital infrastructure contributions	30.7	3.9	33.4	40.4	37.3	5.0%
Contracted services	203.5	211.7	219.1	220.3	222.5	2.3%
Fuel and power	62.9	56.8	65.5	71.7	67.8	1.9%
Insurance	20.6	21.2	23.8	24.1	28.4	8.4%
Interest	167.9	172.7	181.8	183.5	195.0	3.8%
Maintenance, materials and utilities	121.6	129.9	148.1	163.3	175.8	9.6%
Professional and legal	16.2	25.4	30.6	20.0	18.3	3.1%
Rentals, leases and property tax	40.9	24.7	24.3	26.9	29.4	(7.9%)
Salaries, wages and benefits	567.2	587.3	617.8	645.4	694.3	5.2%
Write-down of tangible capital assets	0.6	0.0	1.2	0.0	0.0	(100.0%)
Sub Total Continuing Operations	1,433.2	1,454.3	1,579.5	1,641.7	1,730.3	4.8%
Corporate One-time	32.1	29.7	12.6	22.0	18.2	(13.2%)
Total Expenses by Category	1,465.3	1,484.0	1,592.1	1,663.7	1,748.5	4.5%

Administration costs have increased by a Compound Annual Growth Rate (CAGR) of 10.3 per cent since 2015 mainly due to an increase in telecom, network and software requirement as well as higher fare media usage. The CAGR for capital infrastructure contributions has increased by 5.0 per cent mainly due to the timing of capital infrastructure contributions to municipalities. The CAGR of insurance costs have increased by 8.4 per cent mainly due to higher vehicle insurance rates and a larger fleet due to service expansion. Maintenance, materials and utilities costs have increased by a CAGR of 9.6 per cent mainly due to higher train and rail maintenance costs, higher costs for hybrid and trolley bus battery replacement, higher building maintenance and janitorial costs, higher hydro cost and higher snow removal costs. The CAGR of rentals, leases and property tax costs have decreased by 7.9 per cent mainly due to the buy-out of West Coast Express rail cars leases in 2015.

## Appendix 3 – Operating Indicators

OPERATING INDICATORS						Compound Annual Growth Rate (CAGR) 2015-2019 <sup>9</sup>
Year ended December 31	2015	2016	2017	2018	2019	
<b>Service Performance Item</b>						
<b>Safety: Customer Injuries (per 1 million boarded passengers)<sup>1</sup></b>						
- CMBC	5.0	5.6	4.7	4.2	3.9	(6.0%)
- Expo & Millennium Lines	1.3	1.1	1.3	1.1	0.9	(8.8%)
- West Coast Express	0.8	0.4	1.3	1.2	0.4	(15.9%)
- HandyDART (per 100,000 boarded passengers) <sup>2</sup>	2.3	1.8	1.9	1.7	0.7	(25.7%)
<b>Safety: Employee Lost Time Frequency</b>						
- CMBC (per 200,000 hours worked)	7.1	8.6	8.7	7.7	8.1	3.3%
- Expo & Millennium Lines (per 200,000 hours worked) <sup>3</sup>	3.6	3.9	5.1	5.3	5.9	13.1%
- West Coast Express (per 200,000 hours worked)	-	-	8.6	-	-	-
- HandyDART (per 200,000 hours worked)	14.0	18.3	15.8	16.1	13.7	(0.5%)
<b>Safety: CMBC Operator Assaults (per 1 million service hours)</b>	23.5	22.3	20.3	17.7	16.5	(8.5%)
<b>Ridership: Boarded Passengers (thousands)</b>						
- CMBC	241,707	244,992	253,150	273,375	283,663	4.1%
- Expo & Millennium Lines	77,593	93,850	105,117	111,325	114,883	10.3%
- Canada Line	40,972	43,526	46,253	48,716	50,223	5.2%
- West Coast Express	2,649	2,459	2,323	2,485	2,607	(0.4%)
- HandyDART	1,340	1,366	1,395	1,475	1,560	3.9%
<b>Ridership: Revenue Passengers (thousands)</b>						
- Overall System	238,795	n/a	n/a	n/a	n/a	-
<b>Ridership: Journeys (thousands)</b>						
- Overall System	n/a	234,205	247,821	262,626	272,430	-
<b>Vehicle Service Delivery: Percentage of Service Hours Delivered</b>						
- CMBC	99.7%	99.6%	99.6%	98.9%	98.5%	(0.3%)
- Expo & Millennium Lines	99.5%	99.6%	99.6%	99.7%	99.4%	(0.0%)
- Canada Line	100.0%	100.0%	100.0%	100.0%	100.0%	-
- West Coast Express	99.6%	99.7%	98.0%	100.0%	99.8%	0.1%
- HandyDART (% of requested trips delivered)	99.6%	99.4%	99.3%	99.7%	99.8%	0.1%
<b>Vehicle Punctuality: On-Time Performance</b>						
- CMBC (3 minutes late < On-Time < 1 minute early)	78.8%	77.6%	78.3%	80.4%	80.5%	0.5%
- Expo & Millennium Lines (headway + 3 minutes)	95.9%	95.1%	95.3%	96.4%	96.1%	0.1%
- West Coast Express (headway + 5 minutes)	95.6%	95.3%	97.2%	96.7%	96.7%	0.3%
- HandyDART (earlier than and within 15 minutes of Scheduled Pick-Up Time)	89.5%	88.5%	88.0%	87.1%	87.5%	(0.6%)
<b>Vehicle Reliability: Mean Distance Between Failures</b>						
- CMBC	15,486	16,745	18,441	19,768	24,055	11.6%
- Expo & Millennium Lines <sup>4</sup>	437,320	360,406	372,854	545,152	n/a	n/a
<b>Vehicle Reliability: Mean Distance Between Service Removals</b>						
- Expo & Millennium Lines <sup>4</sup>	n/a	n/a	n/a	n/a	236,774	n/a
<b>HandyDart Vehicle Productivity</b>						
- Trips per service hour (excludes taxis)	2.0	2.0	1.9	2.1	2.3	3.6%
- Trip Denials	1,613	3,558	1,362	729	1,430	(3.0%)
<b>Environmental</b>						
- CMBC (Spills per 1 Million Km)	9.0	7.2	7.5	5.0	2.1	(30.5%)
- CMBC (Revenue Vehicle Energy Consumption in Gigajoules)	1,838,967	1,843,990	1,899,303	1,974,898	506,477	(27.6%)

<sup>1</sup> 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.

<sup>2</sup> Restated 2015-2018 to reflect the new injury definition

<sup>3</sup> Restated 2017 to align with WorkSafe BC figures.

<sup>4</sup> In 2019, the indicator Mean Distance Between Failures was replaced by Mean Distance between Service Removals.

## Appendix 3 - Operating Indicators (continued)

OPERATING INDICATORS						Compound Annual Growth Rate (CAGR)
Year ended December 31	2015	2016	2017	2018	2019	2015-2019 <sup>9</sup>
<b>Customer Service: Customer Satisfaction (overall score of 10)</b>						
- Overall System <sup>5</sup>	7.5	7.6	7.7	7.8	7.8	1.0%
- CMBC	7.7	7.9	7.9	7.9	7.9	0.6%
- Expo & Millennium Lines	8.0	8.1	8.2	8.3	8.2	0.6%
- Canada Line	8.6	8.5	8.6	8.5	8.5	(0.3%)
- West Coast Express	8.1	8.6	8.4	8.9	9.0	2.7%
- HandyDART	8.5	8.5	8.3	8.4	8.4	(0.3%)
<b>Customer Service: Customer Complaints</b>						
- Overall System (per 1 million boarded passengers) <sup>5</sup>	98.9	98.7	93.4	95.4	90.6	(2.2%)
- Corporate (per 1 million boarded passengers) <sup>6</sup>	15.6	19.6	23.1	23.8	24.9	12.4%
- CMBC (per 1 million boarded passengers) <sup>6</sup>	108.9	114.3	104.2	106.2	97.1	(2.8%)
- Expo & Millennium Lines (per 1 million boarded passengers) <sup>6</sup>	20.9	16.2	17.1	15.4	13.8	(9.9%)
- Canada Line (per 1 million boarded passengers) <sup>6</sup>	2.4	3.9	4.3	4.8	6.1	26.3%
- West Coast Express (per 1 million boarded passengers) <sup>6</sup>	335.2	314.7	101.6	104.2	89.0	(28.2%)
- HandyDART (per 100,000 boarded passengers)	99.7	107.7	120.2	187.3	201.8	19.3%
<b>Financial: Operating Costs</b>						
- Overall System (operating cost per capacity km) <sup>7</sup>	0.084	0.085	0.084	0.086	0.089	1.5%
- CMBC (operating cost per capacity km)	0.119	0.123	0.126	0.128	0.132	2.6%
- Expo & Millennium Lines (operating cost per capacity km)	0.029	0.031	0.031	0.033	0.034	4.8%
- Canada Line (operating cost per capacity km)	0.105	0.106	0.105	0.107	0.110	1.2%
- West Coast Express (operating cost per capacity km)	0.099	0.089	0.092	0.095	0.094	(1.3%)
- HandyDART (operating cost per trip) <sup>8</sup>	40.64	40.95	42.73	41.34	39.26	(0.9%)
<b>Financial: Operating Cost Recovery</b>						
- TransLink (conventional system) <sup>9,10</sup>	53.6%	54.7%	55.9%	58.1%	58.9%	2.4%

<sup>5</sup> Excludes HandyDART

<sup>6</sup> Restated 2015-2017 to reallocate Compass Vending Machine complaints from SkyTrain and West Coast Express as well as "bus was full" complaints from CMBC to TransLink Corporate

<sup>7</sup> Includes Bus, SeaBus, Expo & Millennium Line, Canada Line, West Coast Express and Police operating costs

<sup>8</sup> 2018 operating cost per trip excludes TransLink allocated costs to Access Transit

<sup>9</sup> Excludes corporate one-time costs. Restated 2017 to reflect year end adjustments

<sup>10</sup> Calculations based on whole numbers

## Appendix 4 – Allocated Costs between Divisions

Allocated Cost Breakdown					
Year ended December 31					
(\$ thousands)	2015	2016 <sup>4</sup>	2017	2018	2019
<b>Shared Services<sup>1</sup></b>					
Bus Operations	23,440	25,526	27,240	30,903	36,625
Access Transit <sup>2</sup>	972	683	744	-	98
SkyTrain - Expo & Millennium Line	1,108	1,052	2,330	1,458	7,568
West Coast Express	70	66	84	86	162
Transit Police	1,679	1,550	1,883	3,108	3,418
<b>Total Shared Services allocated</b>	<b>27,269</b>	<b>28,877</b>	<b>32,281</b>	<b>35,555</b>	<b>47,871</b>
<b>Costs Administered by TransLink and allocated to subsidiaries<sup>3</sup></b>					
Bus Operations	16,411	18,675	16,530	14,327	16,684
SkyTrain - Expo & Millennium Line	4,770	4,840	5,177	6,082	4,072
SkyTrain - Canada Line	2,215	2,451	2,107	2,164	2,313
West Coast Express	15,725	578	892	627	443
Transit Police	1,793	1,760	1,831	1,742	1,865
	40,914	28,304	26,537	24,942	25,377
<b>Costs Administered by TransLink allocated</b>					
Bus Operations	39,851	44,201	43,770	45,230	53,309
Access Transit	972	683	744	-	98
SkyTrain - Expo & Millennium Line	5,878	5,892	7,507	7,540	11,640
SkyTrain - Canada Line	2,215	2,451	2,107	2,164	2,313
West Coast Express	15,794	644	976	713	605
Transit Police	3,472	3,310	3,714	4,850	5,283
<b>Total costs allocated to Subsidiaries from TransLink</b>	<b>68,182</b>	<b>57,181</b>	<b>58,818</b>	<b>60,497</b>	<b>73,248</b>

<sup>1</sup> Includes Business Technology, Human Resources & Administration costs

<sup>2</sup> Access Transit allocated costs in 2018 are reflected in Bus Operations

<sup>3</sup> Includes property tax, building leases, insurance, and fare media costs

<sup>4</sup> 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.

The increase in costs allocated to the subsidiaries in the last 5 years correlates with increases in costs overall due to continued investments in technology. In addition, the technology usage at the subsidiaries has increased over the past year.





Consolidated Financial Statements  
(Expressed in thousands of dollars)

**SOUTH COAST BRITISH COLUMBIA  
TRANSPORTATION AUTHORITY**

And Independent Auditors' Report thereon

Year ended December 31, 2019



KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors 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 "Authority"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- 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 Authority as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year 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 Authority 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 2019 Annual Statutory Report and 2019 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 2019 Annual Statutory Report and 2019 Year-End Financial and Performance Report documents 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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 Authority'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 Authority'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 the Authority 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 26, 2020

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

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

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents	\$ 502,060	\$ 517,022
Accounts receivable (note 7(i))	246,889	250,598
Loan receivable (note 3)	190,009	250,734
Restricted cash and cash equivalents and investments (note 4(a))	1,101,107	979,894
Investments (note 4(b))	61,281	61,173
Debt reserve deposits (note 5)	27,989	29,421
	<u>2,129,335</u>	<u>2,088,842</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 7(i))	368,232	340,267
Debt (note 6)	2,738,435	2,665,085
Deferred government transfers (note 7(a))	1,188,463	1,249,094
Golden Ears Bridge contractor liability (note 8(a))	1,033,348	1,040,378
Deferred concessionaire credit (note 9(a))	479,239	502,512
Employee future benefits (note 10(b))	143,709	139,653
Deferred revenue and deposits	62,201	55,136
Deferred lease inducements	13,452	12,544
	<u>6,027,079</u>	<u>6,004,669</u>
Net debt	(3,897,744)	(3,915,827)
<b>Non-financial assets</b>		
Tangible capital assets (note 11)	5,381,268	5,079,162
Supplies inventory	84,556	74,244
Prepaid expenses	30,910	28,206
	<u>5,496,734</u>	<u>5,181,612</u>
Commitments and contingencies (note 12)		
Subsequent event (note 18)		
Accumulated surplus	\$ 1,598,990	\$ 1,265,785

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

\_\_\_\_\_  
Tony Gugliotta  
Chair

\_\_\_\_\_  
Sarah Clark  
Director

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Consolidated Statement of Operations  
(Expressed in thousands of dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
	(note 2(s))		
Revenue:			
Taxation (note 16)	\$ 874,526	\$ 906,969	\$ 819,354
Transit (note 7(j))	669,274	685,362	638,015
Government transfers (note 7(a))	388,039	398,523	303,498
Amortization of deferred concessionaire credit (note 9(a))	23,337	23,273	23,273
Investment income	52,850	58,024	53,203
Miscellaneous revenue	5,655	9,027	11,894
Gain (loss) on disposal of tangible capital assets	(122)	506	(34)
	2,013,559	2,081,684	1,849,203
Expenses:			
Bus operations	942,587	919,478	867,913
Corporate operations	204,293	147,953	145,675
Rail operations	443,913	446,283	422,185
Roads and bridges	191,650	192,806	189,273
Transit Police	41,895	41,959	38,687
	1,824,338	1,748,479	1,663,733
Surplus for the year	189,221	333,205	185,470
Accumulated surplus, beginning of year	1,266,771	1,265,785	1,080,315
Accumulated surplus, end of year	\$ 1,455,992	\$ 1,598,990	\$ 1,265,785

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, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
	(note 2(s))		
Surplus for the year	\$ 189,221	\$ 333,205	\$ 185,470
Acquisition of tangible capital assets	(906,645)	(515,285)	(382,466)
Amortization of tangible capital assets	226,514	212,942	197,854
Loss (gain) on disposal of tangible capital assets	122	(506)	34
Net proceeds from disposal of tangible capital assets	-	743	694
Write-down of tangible capital assets	-	-	8,299
	(680,009)	(302,106)	(175,585)
Change in supplies inventory	(4,153)	(10,312)	(5,287)
Change in prepaid expenses	(1,124)	(2,704)	(6,803)
	(5,277)	(13,016)	(12,090)
Decrease (increase) in net debt	(496,065)	18,083	(2,205)
Net debt, beginning of year	(4,150,382)	(3,915,827)	(3,913,622)
Net debt, end of year	\$ (4,646,447)	\$ (3,897,744)	\$ (3,915,827)

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, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used for):		
Operating transactions:		
Surplus for the year	\$ 333,205	\$ 185,470
Non-cash changes to operations (note 14)	(129,698)	(41,402)
Changes in non-cash operating working capital (note 14)	90,504	6,312
Cash provided by operating transactions	294,011	150,380
Capital transactions:		
Purchase of tangible capital assets	(514,960)	(380,763)
Net proceeds from disposal of tangible capital assets	743	694
Cash used for capital transactions	(514,217)	(380,069)
Investing transactions:		
Increase in restricted cash and investments	(121,213)	(199,654)
Increase in investments	(108)	(222)
Decrease in debt reserve deposits	1,432	3,333
Cash used for investing transactions	(119,889)	(196,543)
Financing transactions:		
Debt proceeds	200,000	400,000
Issue costs on financing	(1,420)	(2,331)
Repayments of debt	(125,489)	(197,425)
Repayments of Golden Ears Bridge contractor liability	(7,030)	(5,179)
Government transfers received for tangible capital additions	257,955	324,179
Lease inducements received	1,117	-
Cash provided by financing transactions	325,133	519,244
Increase (decrease) in cash and cash equivalents	(14,962)	93,012
Cash and cash equivalents, beginning of year	517,022	424,010
Cash and cash equivalents, end of year	\$ 502,060	\$ 517,022
Supplementary information:		
Interest paid	\$ 187,815	\$ 185,067
Tangible capital assets acquired by capital lease and other adjustments	325	(1,961)

See accompanying notes to consolidated financial statements.

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements

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

Year ended December 31, 2019

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## **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.

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **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, 2019, 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.



# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 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 operating and maintaining the MRN are expensed under the heading "maintenance, materials and utilities". Funding related to road, cycling and walking infrastructure 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.

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **2. Significant accounting policies (continued):**

### (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, 2019. 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 (2018 - 11 years) and post-employment plan is 6 years (2018 - 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.

### (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.

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **2. Significant accounting policies (continued):**

### **(m) Government transfers:**

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

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

### **(n) Liability for contaminated sites:**

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

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

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Authority is directly responsible or accepts responsibility;
- (iv) it is expected that future economic benefits will be given up; and
- (v) a reasonable estimate of the amount can be made.

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

### **(o) Income taxes:**

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

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## 2. Significant accounting policies (continued):

(p) Foreign currency translation:

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

(q) Use of estimates:

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

(r) Segment disclosure:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the Authority. 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 6, 2018.

## 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 2019 (2018 - \$66,000,000) with the remaining payment due in annual instalments as follows:

	Instalments
January 20, 2021	66,000
January 20, 2022	66,000
January 20, 2023	66,000
Total	\$ 198,000

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

### 3. Loan receivable (continued):

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

The loan receivable of \$190,009,000 (2018 - \$250,734,000) is the present value of the instalments due as at December 31, 2019 using a discount rate of 2.10% (2018 – 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 196 months (2018 - 191 months) and an average remaining term to maturity of 160 months (2018 - 164 months). All bonds held by the Authority, as at December 31, 2019 and 2018, were rated A or higher.

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

	2019	2018
Interest rate range	2.30% - 2.95%	1.45% - 2.85%
Maturity date range	January 2020 – December 2021	January 2019 – December 2019

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

	2019		2018	
	Effective rates	Coupon rates	Effective rates	Coupon rates
Weighted average rate	3.03%	3.26%	3.05%	3.28%
Interest rate range	1.51% - 4.47%	1.50% - 5.20%	1.51% - 4.47%	1.50% - 5.20%

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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

### (a) Restricted cash and cash equivalents and investments:

	2019	2018
Government transfers for capital project funding (i):		
Cash and cash equivalents	\$ 309,029	\$ 377,859
Investments:		
Term deposits and money market instruments	101,532	135,812
Bonds (note 15(b))	22,637	19,866
Total government transfers for capital project funding	433,198	533,537
Self-administered sinking funds:		
Cash and cash equivalents	17,820	2
Investments:		
Term deposits and money market instruments	20,130	-
Bonds maturing beyond one year (note 15(b))	297,080	264,241
Total self-administered sinking funds	335,030	264,243
Land reserve:		
Cash and cash equivalents	111,648	72,762
Term deposits	88,735	72,569
Total land reserve	200,383	145,331
Green Bond proceeds:		
Cash and cash equivalents	108,373	11,688
TPCC (wholly-owned captive insurance subsidiary):		
Bonds (note 15(b))	24,123	25,095
<b>Total restricted cash and investments</b>	<b>\$ 1,101,107</b>	<b>\$ 979,894</b>

(i) Unspent government transfers for capital project funding consists of \$403,571,000 (2018 - \$531,715,000) of Gas Tax funds and \$29,627,000 (2018 - \$1,822,000) of other funding.

### (b) Unrestricted investments:

Unrestricted investments are comprised of term deposits and money market instruments in the amount of \$61,281,000 (2018 - \$61,173,000).

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **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 \$29,343,000 (2018 - \$30,608,000).

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 6. Debt:

	2019	2018
Unsecured commercial paper, due next 12 months	\$ 60,000	\$ 120,000
Unsecured sinking fund bonds held by the MFA, weighted average coupon rate of 3.96% (effective rate 3.98%), maturing at various dates from 2020 to 2036, 10 to 30 year original term	1,099,856	1,149,784
Less: accumulated payments to MFA administered debt sinking funds (including vested and accrued actuarial earnings)	(592,847)	(581,211)
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	16,547	18,939
Unsecured bullet maturity bond series TL-1, face value \$300 million, interest rate 3.80% (effective rate 3.88%), maturing 2020, original 10 year term	299,770	299,539
Unsecured bullet maturity bond series TL-2, face value \$200 million, interest rate 4.65% (effective rate 4.70%), maturing 2041, original 30 year term	198,670	198,640
Unsecured bullet maturity bond series TL-3, face value \$250 million, interest rate 3.85% (effective rate 3.82%), maturing 2052, original 40 year term	251,415	251,445
Unsecured bullet maturity bond series TL-4, face value \$365 million, interest rate 4.45% (effective rate 3.97%), maturing 2044, original 30.5 year term	393,495	394,220
Unsecured bullet maturity bond series TL-5, face value \$215 million, interest rate 3.05% (effective rate 3.06%), maturing 2025, original 10.5 year term	214,942	214,937
Unsecured bullet maturity bond series TL-6, face value \$200 million, interest rate 3.15% (effective rate 3.18%), maturing 2048, original 31 year term	198,729	198,703
Unsecured bullet maturity bond series TL-7 (Green), face value \$400 million, interest rate 3.25% (effective rate 3.31%), maturing 2028, original 10 year term	398,012	397,830
Unsecured bullet maturity bond series TL-8 (Green), face value \$200 million, interest rate 2.65% (effective rate 2.68%), maturing 2050, original 31 year term	198,587	-
Capital leases, weighted average implicit rate of 3.22% (2018 - 3.52%), maturing at various dates from 2020 to 2023	1,259	2,259
	<b>\$ 2,738,435</b>	<b>\$ 2,665,085</b>



# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 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, 2023. 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 2019.

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, 2019, \$60,000,000 (2018 - \$120,000,000), was owed under this commercial paper program at an average interest rate of 1.82% (2018 - 2.03%) and is due for repayment in January 2020 (2018 - January 2019).

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

	Commercial Paper	Sinking Fund on Bonds Held by MFA	Serial Debenture Held by MFA	Bullet Maturity Bonds	Capital Leases	Total
Future payments:						
2020	\$ 60,000	\$ 34,700	\$ 2,593	\$ 300,000	\$ 856	\$ 398,149
2021	-	34,700	2,659	-	345	37,704
2022	-	32,698	2,727	-	56	35,481
2023	-	30,278	2,797	-	2	33,077
2024	-	30,278	2,868	-	-	33,146
Thereafter	-	105,015	2,942	1,830,000	-	1,937,957
	60,000	267,669	16,586	2,130,000	1,259	2,475,514
Future actuarial interest	-	240,684	-	-	-	240,684
	60,000	508,353	16,586	2,130,000	1,259	2,716,198
Unamortized premium / (issue costs)	-	(1,344)	(39)	23,620	-	22,237
	\$ 60,000	\$ 507,009	\$ 16,547	\$ 2,153,620	\$ 1,259	\$ 2,738,435

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 7. Transfers from other governments:

### (a) Deferred government transfers:

	Balance, January 1, 2019	Contributions received	Interest earned	Recognized as revenue	Balance, December 31, 2019
<b>Capital project funding:</b>					
Canada Line	\$ 477,425	\$ -	\$ -	\$ (23,397)	\$ 454,028
Gas Tax	559,102	149,120	9,202	(286,001)	431,423
Public Transit Infrastructure Fund	134,292	70,700	-	-	204,992
Building Canada Fund	62,822	-	-	(4,464)	58,358
Capstan Station	899	28,076	-	-	28,975
Evergreen Line	6,300	-	-	-	6,300
Transit Secure Fund	4,907	-	-	(684)	4,223
Public Transit Fund	2,098	-	-	(1,934)	164
Public Transit Infrastructure Program	875	-	-	(875)	-
Urban Transportation Showcase	343	-	-	(343)	-
Miscellaneous programs	31	857	-	(888)	-
	1,249,094	248,753	9,202	(318,586)	1,188,463
<b>Operating funding:</b>					
Golden Ears Bridge foregone tolling	-	60,075	-	(60,075)	-
Canada Line Operating Fund (note 9(c))	-	19,221	-	(19,221)	-
Properties Environmental Program	-	426	-	(426)	-
Other cost sharing projects	-	215	-	(215)	-
	-	79,937	-	(79,937)	-
	\$ 1,249,094	\$ 328,690	\$ 9,202	\$ (398,523)	\$ 1,188,463

The balance as at December 31, 2019 of \$1,188,463,000 consists of:

- (i) Unspent Gas Tax funds of \$403,571,000 (2018 - \$531,715,000) and unspent funds for various other projects of \$29,627,000 (2018 - \$1,822,000); and
- (ii) Spent funds of \$755,265,000 (2018 - \$715,557,000) 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.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 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:

	2019	2018
Opening balance, unspent funds	\$ 531,715	\$ 405,924
Amount received during the year	149,120	234,750
Interest earned	9,202	9,235
Funding re-invested for early disposal of assets	-	1,681
Amount spent on designated public transit projects	(286,466)	(119,875)
Closing balance, unspent funds	\$ 403,571	\$ 531,715

### (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%

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **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). On December 16, 2019, TransLink received the total funding from CoR and is required to complete the project within 30 months of the date of receipt.

Accordingly, the Authority will recognize revenue upon completion of the project.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 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:

	2019	2018
Trade accounts receivable	\$ 23,086	\$ 19,659
Due from Federal Government	6,401	7,744
Due from Province of British Columbia	208,351	215,298
Due from regional districts	6,846	5,824
Due from other authorities	2,205	2,073
<b>Accounts receivable</b>	<b>\$ 246,889</b>	<b>\$ 250,598</b>

	2019	2018
Trade accounts payable and accrued liabilities	\$ 302,795	\$ 284,132
Due to Federal Government	7,010	6,534
Due to Province of British Columbia	4,385	1,607
Due to regional districts	45,902	39,988
Due to other Authorities	8,140	8,006
<b>Accounts payable and accrued liabilities</b>	<b>\$ 368,232</b>	<b>\$ 340,267</b>

### (j) Transit revenues:

Included in transit revenues is \$12,800,000 (2018 - \$11,629,000) of contributions from the provincial government to assist with administering the U-Pass BC program and to offset forgone transit revenues.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 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:

	2019	2018
Opening balance	\$ 1,040,378	\$ 1,045,557
Interest accretion on contractor liability to last payment date	65,460	65,928
Payments made	(72,490)	(71,107)
Ending balance	\$ 1,033,348	\$ 1,040,378

As the last monthly payment of the year was made on December 8, 2019, the interest accrual from December 9 to 31, 2019 of \$4,022,000 (2018 - \$4,054,000) 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
2020	\$ 75,977
2021	77,504
2022	79,046
2023	80,632
2024	82,252

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 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
2020	\$ 5,013
2021	5,114
2022	5,215
2023	5,320
2024	5,427

## 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.

	2019	2018
Opening balance	\$ 502,512	\$ 525,785
Less: amortization	(23,273)	(23,273)
Closing balance	\$ 479,239	\$ 502,512

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## 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:

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	Each 28-day period
January 2020 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:

---

2020	\$ 120,000
2021	123,000
2022	126,000
2023	129,000
2024	132,000

---

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 2019 was \$19,221,000 (2018 - \$19,174,000).



# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **10. Pension plans and employee future benefits:**

### (a) Pension plans:

The Authority and its subsidiaries contribute to the Public Service Pension Plan (the “Plan” or “PSPP”), 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 \$50,535,000 (2018 - \$47,920,000). The next valuation will be as at March 31, 2020, with results available in 2021.

### (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.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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

### (b) Employee future benefits (continued):

#### (i) Post-retirement (continued):

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 \$6,361,000 (2018 - \$9,820,000).

On December 17, 2019, a letter of understanding was signed by BCRTC and its union to prospectively implement changes to retiree extended health and dental benefits available to employees that will better make use of the benefits provided by the PSPP. The plan amendment, when implemented, is expected to reduce BCRTC's post-retirement benefit obligation.

#### (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 \$2,132,000 (2018 - \$2,701,000).

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

	Post-retirement benefits	Post-employment benefits	Total 2019	Total 2018
Accrued benefit obligation	\$ 97,509	\$ 21,082	\$ 118,591	\$ 105,435
Unamortized net actuarial gain	15,787	9,331	25,118	34,218
Accrued benefit liability	\$ 113,296	\$ 30,413	\$ 143,709	\$ 139,653

The accrued benefit liability is not funded.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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

(b) Employee future benefits (continued):

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

	Post- retirement benefits	Post- employment benefits	Total 2019	Total 2018
Current period benefit cost	\$ 5,180	\$ 4,754	\$ 9,934	\$ 12,326
Plan amendment	4,919	477	5,396	-
Interest cost	3,152	728	3,880	4,064
Amortization of actuarial gains	(6,890)	(3,827)	(10,717)	(3,869)
Net expense	6,361	2,132	8,493	12,521
Actuarially determined payments	(1,674)	(2,763)	(4,437)	(3,770)
Change in accrued benefit liability	\$ 4,687	\$ (631)	\$ 4,056	\$ 8,751

During the year, new collective agreements were ratified between CMBC, BCRTC, and their respective unions. Amendments to their respective benefits plans resulted in the recognition of prior period service costs. These costs have been partially offset against existing unamortized actuarial gains in the amount of \$4,919,000 for post-retirement benefits and \$419,000 for post-employment benefits. The corresponding gains have been included in the above figures for the net amortization of actuarial gains.

(v) The significant assumptions used are as follows:

	2019	2018
Discount rates	2.80% - 2.90%	3.20% - 3.50%
Expected health care cost trend rates	4.00% - 6.10%	3.90% - 6.20%

## 11. Tangible capital assets:

Cost	Balance, January 1, 2019	Additions, net of transfers	Disposals	Balance, December 31, 2019
Land	\$ 410,486	\$ 14,801	\$ (136)	\$ 425,151
Land improvements	40,397	5,531	-	45,928
Buildings	338,565	5,459	-	344,024
Bridges, guideways, stations and tunnels	2,372,044	-	-	2,372,044
Other supporting systems	1,085,948	107,812	-	1,193,760
Vehicles and SeaBus	1,840,077	348,219	(10,131)	2,178,165
Equipment	736,904	37,002	(290)	773,616
Tangible capital projects in progress	318,998	(3,539)	-	315,459
	\$ 7,143,419	\$ 515,285	\$ (10,557)	\$ 7,648,147

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 11. Tangible capital assets (continued):

Accumulated amortization	Balance, January 1, 2019	Amortization expense	Disposals	Balance, December 31, 2019
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	(21,977)	(1,270)	-	(23,247)
Buildings	(122,724)	(8,221)	-	(130,945)
Bridges, guideways, stations and tunnels	(214,289)	(24,243)	-	(238,532)
Other supporting systems	(283,895)	(40,688)	-	(324,583)
Vehicles and SeaBus	(965,123)	(96,545)	10,057	(1,051,611)
Equipment	(456,249)	(41,975)	263	(497,961)
	<b>\$ (2,064,257)</b>	<b>\$ (212,942)</b>	<b>\$ 10,320</b>	<b>\$ (2,266,879)</b>

Net book value	Balance, January 1, 2019	Balance, December 31, 2019
Land	\$ 410,486	\$ 425,151
Land improvements	18,420	22,681
Buildings	215,841	213,079
Bridges, guideways, stations and tunnels	2,157,755	2,133,512
Other supporting systems	802,053	869,177
Vehicles and SeaBus	874,954	1,126,554
Equipment	280,655	275,655
Tangible capital projects in progress	318,998	315,459
	<b>\$ 5,079,162</b>	<b>\$ 5,381,268</b>

Included in tangible capital assets is capital leased equipment with a net book value of \$5,602,000 (2018 - \$7,996,000).

Interest capitalized during the year amounted to \$4,363,000 (2018 - \$3,257,000).

(a) Expo and Millennium Line:

As at December 31, 2019, the net book value of Expo and Millennium Line guideways or system improvements totaled \$400,673,000 (2018 - \$354,642,000) of which \$289,869,000 (2018 - \$253,421,000) 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, 2021. 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.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## 11. Tangible capital assets (continued):

### (b) 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, 2019, the net book value of West Coast Express improvements totaled \$3,130,000 (2018 - \$3,375,000).

### (c) 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, 2019, the net book value of Evergreen Line guideways and system owned by TransLink, excluding SkyTrain vehicles, totaled \$317,053,000 (2018 - \$323,929,000).

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.

## 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:

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2020	\$ 17,769
2021	17,599
2022	17,056
2023	17,180
2024	15,514
	<hr/>
	\$ 85,118

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# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 12. Commitments and contingencies (continued):

### (a) Operating leases (continued):

Included in the payment schedule above are certain commitments that extend beyond 2024. Significant commitments beyond 2024 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 \$831,000 to \$889,000.

### (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:

2020	\$ 16,050
2021	10,427
2022	10,375
2023	10,520
2024	8,191
	<hr/> \$ 55,563 <hr/>

Subsequent to 2024, monthly operating commitments for WCE are \$456,000 for 2025.

### (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 projected base payments adjusted for inflation are as follows:

	Fixed component
2020	\$ 13,663
2021	14,276
2022	14,852
2023	15,389
2024	15,987
	<hr/> \$ 74,167 <hr/>

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 12. Commitments and contingencies (continued):

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

Subsequent to 2024, the fixed monthly base payments are \$1,267,000 for 2025. Additionally, an amount of \$8,100,000 is payable in 2025 should the Authority choose not to extend the contract.

- (d) 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
2020	\$ 1,679
2021	1,442
	<hr/>
	\$ 3,121

- (e) Major Road Network ("MRN") Capital Funding:

The Authority has signed several funding agreements with municipalities on major MRN projects. At December 31, 2019, the net amount of MRN capital infrastructure contributions committed and not paid is \$91,706,000 (2018 - \$59,310,000). This amount will be paid to the municipalities upon completion of their projects.

- (f) Lawsuits and claims:

As at December 31, 2019, 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 was heard by the Court of Appeal on October 7, 2019. Judgement was reserved and has not yet been released.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## 12. Commitments and contingencies (continued):

(f) Lawsuits and claims (continued):

- 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.

(g) Other capital and inventory commitments:

At December 31, 2019, \$265,421,000 (2018 - \$486,448,000) has been contractually committed for other capital projects and inventory.

(h) Letters of credit:

As at December 31, 2019, the Authority has issued letters of credit to the City of Richmond and the City of Surrey totaling \$3,910,000 (2018 - \$2,787,000) which expire in 2020.

## 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:

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2020	\$	370,563
2021		323,130
2022		328,098
2023		338,594
2024		190,982
		<hr/>
	\$	1,551,367

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The annual amounts beyond 2024 range from \$27,746,000 to \$174,603,000 until 2050.



# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 14. Statement of cash flows:

	2019	2018
Non-cash changes to operations:		
Amortization of tangible capital assets	\$ 212,942	\$ 197,854
Amortization of bond premium	(66)	(112)
Amortization of debt issue cost	-	519
Amortization of deferred concessionaire credit	(23,273)	(23,273)
Amortization of deferred government transfers	(318,586)	(224,781)
Amortization of deferred lease inducements net of additions	(209)	58
Write-down of tangible capital assets	-	8,299
Loss (gain) on disposal of tangible capital assets	(506)	34
	<u>\$ (129,698)</u>	<u>\$ (41,402)</u>
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	\$ 3,709	\$ (129,746)
Decrease in loan receivable	60,725	59,463
Increase in supplies inventory	(10,312)	(5,287)
Increase in prepaid expenses	(2,704)	(6,803)
Increase in accounts payable and accrued liabilities	27,965	71,210
Increase in deferred revenue and deposits	7,065	8,724
Increase in employee future benefits	4,056	8,751
	<u>\$ 90,504</u>	<u>\$ 6,312</u>

## 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 its financial instruments.

The Authority is exposed to minimal credit risk as the majority of its accounts receivables are due from government sources.

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.

During the year, the Authority entered into an interest rate hedging contract to lock in the 30-year Canada benchmark yield at a nominal amount of \$150,000,000. Settlement of the contract resulted in a realized loss of \$10,500,000 which has been recorded in interest expense.

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 2018.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 15. Financial instruments (continued):

(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.

2019	Fair values	Amortized cost
Restricted investments:		
Government transfers for capital projects - bonds	\$ 22,885	\$ 22,637
TPCC - bonds	24,284	24,123
Self-administered sinking funds - bonds	320,545	297,080

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

## 16. Taxation revenue:

	2019	2018
Fuel tax	\$ 403,081	\$ 351,338
Property tax	382,748	355,838
Parking sales tax	81,871	73,201
Hydro levy	21,461	21,088
Replacement tax	17,808	17,889
	\$ 906,969	\$ 819,354

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **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.

# SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

## 17. Segmented Information (continued):

	2019					Total	2018
	Bus operations	Corporate operations	Rail operations	Roads and bridges	Transit Police		
Revenues:							
Taxation	\$ -	\$ 906,969	\$ -	\$ -	\$ -	\$ 906,969	\$ 819,354
Transit	-	685,362	-	-	-	685,362	638,015
Government transfers	-	398,520	-	3	-	398,523	303,498
Amortization of deferred concessionaire credit	-	-	23,273	-	-	23,273	23,273
Investment income	-	58,024	-	-	-	58,024	53,203
Miscellaneous revenue	2,813	3,910	953	2	1,349	9,027	11,894
Gain (loss) on disposal of tangible capital assets	-	506	-	-	-	506	(34)
	2,813	2,053,291	24,226	5	1,349	2,081,684	1,849,203
Expenses:							
Administration	19,371	22,532	5,426	157	3,860	51,346	49,543
Capital infrastructure contributions	-	-	-	37,310	-	37,310	40,416
Contracted services	76,093	15,298	125,727	5,371	-	222,489	220,349
Fuel and power	51,343	-	16,412	-	-	67,755	71,706
Insurance	21,821	251	5,246	1,013	104	28,435	24,142
Maintenance, materials and utilities	72,948	1,999	50,791	48,390	1,851	175,979	163,606
Professional and legal	3,203	23,637	3,348	1,197	352	31,737	30,768
Rentals, leases and property tax	14,957	11,119	1,287	285	1,965	29,613	26,937
Salaries, wages and benefits	499,129	46,634	116,011	1,360	32,756	695,890	646,654
Write-down of tangible capital assets	-	-	-	-	-	-	8,299
Expenses before amortization and interest	758,865	121,470	324,248	95,083	40,888	1,340,554	1,282,420
Amortization of tangible capital assets	99,851	16,469	75,874	20,079	669	212,942	197,854
Interest	60,762	10,014	46,161	77,644	402	194,983	183,459
	160,613	26,483	122,035	97,723	1,071	407,925	381,313
	919,478	147,953	446,283	192,806	41,959	1,748,479	1,663,733
Surplus (deficit) for the year	\$ (916,665)	\$ 1,905,338	\$ (422,057)	\$ (192,801)	\$ (40,610)	\$ 333,205	\$ 185,470

# **SOUTH COAST BRITISH COLUMBIA TRANSPORTATION AUTHORITY**

Notes to Consolidated Financial Statements (continued)

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

Year ended December 31, 2019

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## **18. Subsequent event:**

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over future cash flows and may have an impact on the Authority's future operations. Potential impacts on the Authority's business could include future decreases in revenue, ability to obtain debt or delays in completing capital project work. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Authority is not practicable at this time.