Rating Report

South Coast British Columbia Transportation Authority

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DBRS
Insight beyond the rating.

Ratings

Debt	Rating	Rating Action	Trend
Issuer Rating	AA	Confirmed	Stable
Senior Unsecured Debt	AA	Confirmed	Stable
Commercial Paper	R-1 (middle)	Confirmed	Stable

Rating Update

DBRS has confirmed the Issuer Rating and Senior Unsecured Debt rating of the South Coast British Columbia Transportation Authority (TransLink or the Authority) at AA, along with its Commercial Paper rating at R-1 (middle). All trends are Stable. As a result of new legislation passed by the Province of British Columbia (the Province; rated AA (high) with a Stable trend by DBRS) in June 2014, TransLink is operating under a new governance structure, which continues to promote prudent financial planning and maintains TransLink's taxing authority in an economically critical and affluent region of the Province.

After several years of solid performance, ridership growth lost momentum in 2013, falling by 2.1%. Despite fewer passengers, TransLink reported a DBRS-adjusted operating surplus of $38.9 million in 2013 – the first in six years – after adjusting for non-recurring items. This was considerably better than budgeted, supported by lower-than-planned spending, including delays experienced in the implementation of the new electronic fare system and the realization of operating efficiencies. Based on first half results in 2014, it appears that this trend will continue, with only a small deficit anticipated for the year. Nevertheless, the operating environment is expected to remain tight, with a return to only modest DBRS-adjusted surpluses projected over the ten-year planning horizon.

In June 2014, the Mayors' Council announced a new vision, which entails $7.5 billion in new capital investment over ten years and includes a new Patullo Bridge, light rail transit in Surrey and Langley, extension of the Millennium subway line and new rapid bus lines, among other enhancements. Funding for the plan is based upon a reliance on contributions from senior governments, increased transit revenues as a result of expanded ridership, tolls and a combination of new funding sources still to be identified. The provincial government has mandated a public referendum to help guide future funding decisions, which is expected to take place in the first half of 2015. Pending the outcome of the referendum and formal adoption of a new investment plan, the 2014 Base Plan will continue to guide investment, with DBRS-adjusted debt expected to reach $3.1 billion in 2017, or roughly $1,200 per capita. This remains consistent with DBRS's expectations and is comfortably within the thresholds for the current rating category.

Financial Information

	For the year ended December 31				
	2013*	**2012***	**2011***	**2010***	**2009**
Transit system passengers (millions) 1	234	239	233	219	189
Population of service region (thousands)	2,452	2,417	2,380	2,351	2,304
Recurring surplus (deficit) ($ millions) 2	39	(51)	(49)	(43)	(209)
Net debt per capita ($)	1,033	1,058	1,061	1,045	1,016
Debt service coverage (times) 3	1.3	0.9	0.9	1.0	(0.0)

Source: Population totals from BC Stats

1 In 2011, TransLink adjusted its methodology resulting in an increased number of revenue passengers. Fiscal 2010 figures have been restated using the new methodology, accounting for 2 to 3 percentage points of the stated growth in passengers for that year. ***2** The Authority adopted Canadian Public Sector Accounting Standards effective as of January 1, 2011 and fiscal 2010 results have been restated for comparison purposes. Prior year's results may not be perfectly comparable. **3** Recurring surplus plus depreciation and interest expenses, divided by net debt service costs.

Issuer Description

South Coast British Columbia Transportation Authority provides transit services and coordinates funding for the regional road network within Metro Vancouver. TransLink's service area covers 21 municipalities and one First Nation with a combined population of 2.5 million (2013).

Rating Considerations

Strengths

1. Taxing authority in an affluent region

TransLink has the ability to levy property tax increases of up to 3% annually to meet its general operating requirements. In addition, in times of financial distress, TransLink can raise its property tax levy in any amount deemed necessary to meet debt obligations. DBRS views this power as analogous to a guarantee provided jointly by the municipalities in the Greater Vancouver Region (the Region), as it permits access to the tax bases of the municipalities. This indirect guarantee is buttressed by the combined financial strength of these 21 municipalities as a group.

2. Well-diversified revenue base

Under the *South Coast British Columbia Transportation Authority Act* (the Act) governing operations, TransLink benefits from a well-diversified revenue base composed of property taxes, transit fares and a fuel tax (raised from 15¢ to 17¢ per litre in 2012). This provides very strong support to TransLink, as over half of its revenue comes from non-transit sources, allowing it to better deal with a service disruption or loss of ridership. In addition, TransLink has an ongoing stream of government funding through the federal gas tax sharing program.

3. Comprehensive financial planning process

Management places strong emphasis on financial planning, which fosters sustainability and improved transparency with respect to the evolution of TransLink's fiscal position. The revised Act reinforces these practices by requiring the planning framework to involve a 30-year strategy, a fully funded ten-year investment plan (updated every three years), which replaces the three-year base plan and seven-year outlook used previously.

4. Significant user base in a region with above-average population growth

Population growth of the Metro Vancouver area, which TransLink services, has continued to outperform the national average. This trend is expected to continue, as The Conference Board of Canada projects that the annual population growth in the Region will equal or exceed 1.5% annually over the next five years, whereas Canada's annual growth rate is forecast to be 1.2% or lower over the same period. Although ridership growth is showing signs of slowing, falling 2.1% in 2013, it is nevertheless projected to roughly match the rate of population growth rate of the Metro Vancouver area over the ten-year planning horizon.

Challenges

1. Large capital needs pressure debt

TransLink's DBRS-adjusted net debt has risen by close to 30% over the past five years and significant capital needs suggest this trend will continue for the foreseeable future. Earlier this year, the Mayors' Council adopted a new ten-year investment vision that calls for $7.5 billion in capital expenditures. Funding for the vision remains uncertain, as it will be partially dependent on the outcome of an upcoming referendum, thus adding uncertainty to the Authority's long-term debt needs.

2. Short-term fares subject to oversight

TransLink only has the ability to raise short-term fares by 2% per year without special authorization from the Mayors' Council by way of an approved ten-year investment plan. Nevertheless, TransLink is able to set long-term fares without the Mayors' Council's approval and, in addition, can raise short-term fares as needed if such an action is required to provide funding for debt obligations.

3. General risks related to transit system operations

The management of a transit system carries considerable risks that can make financial planning difficult. These risks pertain to the capital intensity of transit services, fluctuations in ridership, fuel price volatility, strong labour unions and a constrained ability to grow revenue as a result of the public outcry that can follow increases to transit fares and taxes.

Operating Performance

($ millions)	2013*	2012*	2011*	2010*	2009
	For the year ended December 31				
Operating revenues	1,444	1,380	1,316	1,303	1,010
Operating expenses	1,405	1,431	1,365	1,346	1,219
Operating surplus (deficit)	39	(51)	(49)	(43)	(209)
Non-operating items	(2)	42	(3)	(16)	163
Net surplus (deficit) as reported	**37**	**(9)**	**(52)**	**(59)**	**(47)**

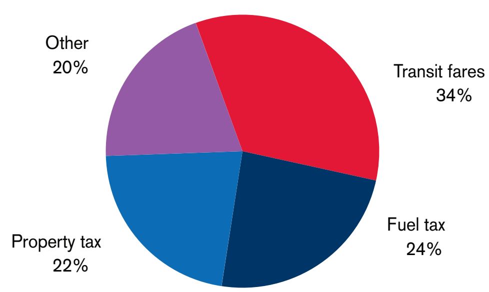
*The Authority adopted Canadian Public Sector Accounting Standards (PSAB) effective as of January 1, 2011 and fiscal 2010 results have been restated for comparison purposes. Prior year's results may not be perfectly comparable. Starting from fiscal 2010 government transfers for capital have been included in Operating Revenues to reflect PSAB requirements for transfers from government to be deferred and recognized as revenue as related stipulations in the relevant agreements are met, rather than recorgnized when received.

For the first time in six years, TransLink reported a DBRS-adjusted operating surplus of $38.9 million in 2013, up notably from the $51.0 million deficit realized a year earlier. This was considerably better than budgeted and ends a string of structural deficits that had gradually been eroding TransLink's accumulated surplus from years prior. The net surplus, as reported in the 2013 financial statements, after non-recurring items, was $36.8 million. Operating revenues advanced by 4.6% year over year, relatively consistent with budget, led by higher transit and taxation receipts. Fuel tax proceeds rose by 4.1%, reflecting the full-year impact of the 2¢ rate increase implemented in April 2012 and modestly higher fuel volumes. Property tax revenues accelerated by 3.1%, consistent with the maximum allowable under legislation. Meanwhile, a fare increase implemented January 1, 2013, for cash fares (representing the cumulative 2% annual increases since the last short-term fare adjustment in 2008) and prepaid fares helped to boost transit fares by 7.6% year over year, although this was tempered by lower ridership, which declined by 2.1%. The drop in ridership was only slightly worse than budgeted and largely reflects the impact of the fare increase, the fact that TransLink has not had additional resources to support service expansion and a number of major road improvements that provided a disincentive to use transit.

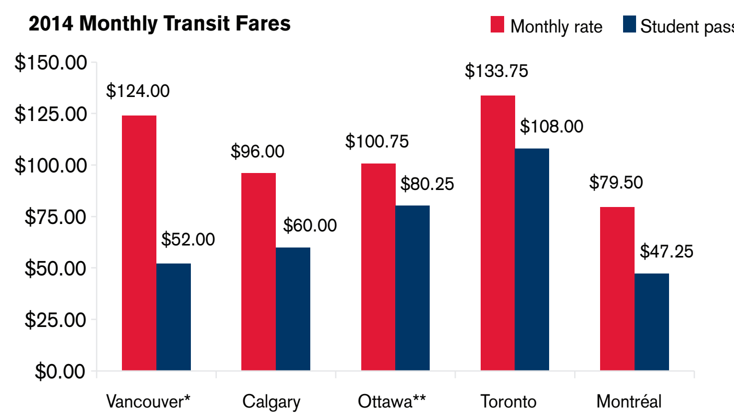
Operating expenditures fell by 1.8% in 2013, which was considerably better than budget expectations and accounted for the return to operating surplus. The majority of the favourable variance was attributable to underspending related to road and bridge work with municipalities, a common occurrence, and delays realized in the implementation of the Compass Card system. In addition to timing-related savings, TransLink also exceeded cost savings initiatives through the realization of improved operating efficiencies, with efforts to reduce out-of-service vehicles and spare ratios, which contributed to lower maintenance costs and staffing levels. Furthermore, interest costs declined year over year in large part due to repayment of Municipal Finance Authority of British Columbia (MFABC) debt. TransLink's customer performance rating, although down slightly from 2012, remained at a high level despite efforts to continue targeting ongoing efficiency savings.

Capital expenditures amounted to $248.3 million in 2013, up by 40.0% from the prior year, but still well below levels realized prior to the 2010 Winter Olympic Games. Major expenditures throughout the year included approximately $52 million in infrastructure upgrades related to TransLink's new electronic fare collection system, the Compass Card. In addition, $67 million was utilized for new equipment, including $29 million for new fare gates and vending machines related to implementation of the Compass Card. Furthermore, the acquisition of new transit vehicles, primarily buses, consumed $48 million of capital expenditures.

2013 Revenues by Source



2014 Monthly Transit Fares



*Two zone fare **Regular fare

Operating Outlook

2014 Budget

For 2014, the budget points to a deficit of $51.9 million. Revenue growth is expected to be very modest at less than 1.0%. Transit fare proceeds are budgeted to rise by 4.5% based on an anticipated increase in ridership by 1.6% (relative to Q2 2013 forecast), gradually rebounding following the fare increases implemented in early 2013. However, there was no further transit fare increase implemented in 2014. Property tax revenues will continue to grow at the maximum allowable rate of 3%, although this is expected to be partially offset by a decline in fuel tax revenues as drivers continue migrating toward more fuel-efficient vehicles and leakage of fuel consumption to areas outside the region. The fuel tax rate will be unchanged at 17¢ per litre. Following from the 2013 Base Plan, TransLink is targeting an average of $20.4 million in ongoing revenue efficiencies, which includes service optimization and generating increased revenue from real estate assets.

Total expenditures are projected to rise by 7.1% over 2013. Rising labour costs will be the primary driver as a result of contractual labour cost increases and the filling of vacant positions. The budget also incorporates the full-year impact of additional bus and Seabus hours introduced in the 2013 Base Plan, although this has been facilitated by redirecting existing service hours in order to serve more customers and reduce pass-ups resulting in a reduction in total service hours by 72,000, or 1.1%. Higher fuel and insurance costs will partly offset these savings. Meanwhile, a revised schedule for the Compass Card implementation accounts for the increase in corporate costs, but these are not expected to be recurring. Similar to the revenue efficiencies noted above, TransLink is targeting $19.4 million in ongoing cost-saving efficiencies and has been successful in this regard, as this target marks an improvement from last year's plan. DBRS notes that internal policies require TransLink to maintain budget contingencies equal to 1% of operating expenditures, which provides modest flexibility to manage in-year pressures as they arise.

2014 Forecast (as of end of Q2 2014)

Through the first six months of 2014, TransLink recorded a surplus of $26.1 million, notably better than budgeted. The favourable variance is attributable to better-than-expected fuel tax receipts as a result of increased diesel sales and a gain on the sale of surplus property, offset by lower-than-planned transit revenues from ridership falling short of targets (and down 1.3% from last year). While expenditures have increased modestly from last year, they are notably below plan and account for the bulk of the improvement relative to the budget forecast. Contributions to municipalities for road network costs are below plan and technical issues with the Compass Card system have taken longer than planned to resolve, delaying the full implementation and required contract payments. As a result, TransLink has revised its full-year forecast to a projected shortfall of $8.9 million compared with the $51.9 million deficit originally anticipated.

Medium-Term Outlook

As indicated in the 2014 Base Plan, TransLink is forecasting modest DBRS-adjusted surpluses in both 2015 and 2016, and given the solid year-to-date performance, this plan appears to be on track. For the remaining seven years of the outlook, the operating environment is expected to remain tight, but the plan projects a continuation of steady surpluses. Pending the outcome of the anticipated referendum mandated by the Province to guide future funding decisions, revenue growth will be primarily dependent on allowable increases permitted by legislation, including 3% annually for property tax revenues and 2% annually for transit fares, changes in ridership and increased fuel consumption, as the fuel tax rate is expected to remain constant. Meanwhile, expenditures will be dependent on the Authority's ability to achieve further operating efficiencies, negotiate affordable labour agreements, as most agreements expire in 2015, and maintain assets in a state of good repair.

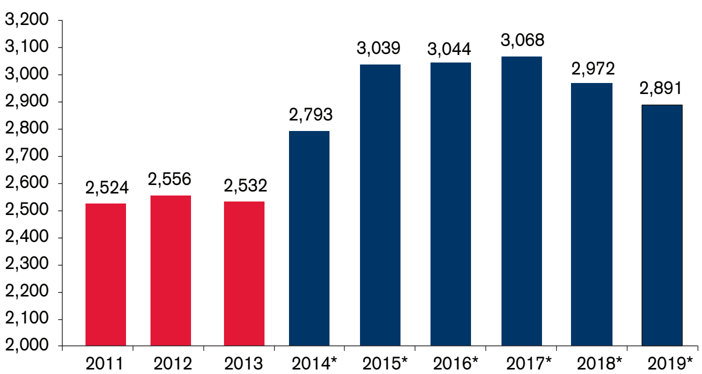
Capital Program

For 2014, the current capital plan involves $195 million in new spending, with approximately $65 million of these costs to be covered by senior government contributions. Key projects include the ongoing implementation of the Compass Card electronic fare system, design and engineering studies related to the rehabilitation of the Patullo Bridge, funding commitments toward the Evergreen Line – an 11-kilometer SkyTrain extension – and a new bus facility in Richmond with capabilities to fuel buses with compressed natural gas, as well as procurement of required vehicles. As indicated in TransLink's first half report, capital spending is behind plan and likely to result in reduced debt needs for the current year. The 2014 Base Plan, points to combined capital expenditures of $1.4 billion between 2014 and 2016, of which $547 million will be funded through senior government contributions.

In June 2014, the Mayors' Council Vision was presented, which entails $7.5 billion in new capital investment over ten years and includes a new Patullo Bridge, light rail transit in Surrey and Langley, extension of the Millennium subway line and new rapid bus lines, among other enhancements. Funding for the plan is based upon a reliance on contributions from senior governments, increased transit revenues as a result of expanded ridership, Patullo Bridge tolls and a combination of new funding sources still to be identified. The provincial government has mandated a public referendum to help guide future funding decisions. This was originally expected to take place alongside municipal elections in November 2014 but has since been postponed until sometime in the first half of 2015. As such, the extent of any additional borrowing requirements, beyond those articulated in the 2014 Base Plan, will not be known until after the referendum and after the subsequent investment plan is approved.

Debt and Liquidity

Net Debt ($ millions)



*Forecast

In 2013, DBRS-adjusted net debt declined by 0.9% to reach $2.5 billion. This equated to $1,033 per capita (Metro Vancouver), down from $1,058 in 2012. The Authority issued $150 million in unsecured debentures in 2013, which were offset by approximately $120 million of maturing debt previously issued through the MFABC, with the remainder set aside in sinking funds. Improved operating performance resulted in a debt service coverage ratio of 1.3 times, up from 0.9 times a year earlier. At year-end, cash and marketable securities totalled $639 million, or 149% of current liabilities, up from 17% from in 2012. The increase was largely attributable to increased government proceeds received for capital projects. Nevertheless, free cash flow remained negative owing to a large pickup in capital spending.

Medium-Term Outlook

Based on TransLink's estimates, DBRS-adjusted net debt is projected to rise by $268 million in 2014. The Authority planned for $300 million in new issuance by year-end 2014, partially offset by contributions to sinking funds and a reduction in deferred concessionaire credits for Canada Line. DBRS notes that given TransLink's favourable in-year operating performance and delays experienced in the implementation of certain capital projects, issuance, and therefore the pace of debt growth, is likely to be lower than planned.

Leverage is expected to peak at $3.1 billion in 2017, and while this is somewhat above the peak anticipated at the time of DBRS's last review, it is consistent with expectations at the time of TransLink's last debt issuance (see: DBRS Rates Senior Unsecured Debt Issue of SCBCTA at AA, dated December 2, 2013). This is likely to result in debt per capita of roughly $1,200, comfortably within the thresholds established for the current rating category. Debt service coverage ratios are unlikely to improve meaningfully, as operating performance is expected to fluctuate between modest deficits and surpluses over the medium term.

TransLink maintains a $500 million commercial paper program, which is more than 80% unused at the time of writing and supported by a three-year, $450 million bank credit agreement as a liquidity backstop. In addition, the credit agreement provides for a $50 million swing-line.

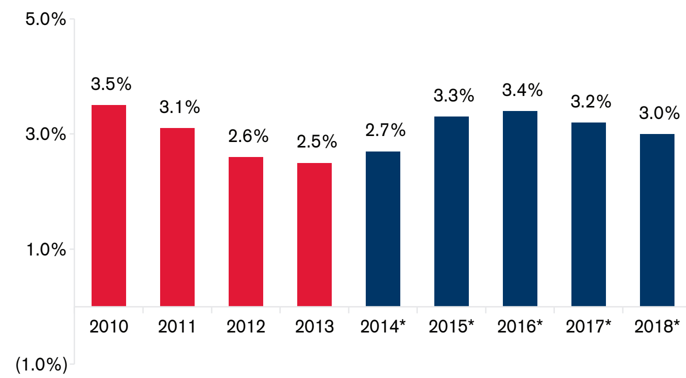
A board-mandated debt management policy limits TransLink's total net debt to 350% of operating revenues and gross interest charges to 20% of operating revenues. At December 31, 2013, TransLink was well within both limits at 280% and 13.5%, respectively, as calculated by the Authority.

Local Economy

Real GDP advanced by 2.5% in 2013, slightly below the pace of growth realized in 2012. A slowdown in residential housing starts weighed on construction activity and contributed to overall weakness in the goods sector. However, this was offset by strength in the services sector, which rebounded soundly from a difficult 2012 and was largely supported by stronger retail and wholesale trade activity. Employment declined slightly in 2013, although the unemployment rate held steady at 6.6%. Population growth was slightly slower than the prior year at 1.4% but was relatively consistent with the ten-year average.

Based on forecasts by The Conference Board of Canada, real GDP growth is expected to accelerate to 2.7% and 3.3% in 2014 and 2015, respectively, exceeding anticipated growth for the Province of British Columbia as a whole. Activity in the goods sector is expected to improve in the current year, supported by an increase in non-residential construction, while a weaker Canadian dollar should be supportive of manufacturing and resource exports. Wholesale and retail trade are expected to see further gains supported by population growth of 1.5% in 2014 and stronger personal income growth. However, service sector output will be somewhat subdued, held back by slow growth in public administration. After falling last year, employment is expected to pick up, helping to bring down the unemployment rate to 6.2%.

Metro Vancouver - Real GDP Growth



Source: The Conference Board of Canada *Forecast

The South Coast British Columbia Transportation Authority Act

On June 25, 2014, the Province passed new legislation, which provides for a new governance structure for TransLink. As a result of this legislation, the Regional Transportation Commissioner position has been eliminated and most responsibilities of the Commissioner's office have been transferred to the Mayors' Council, including the authority to approve new short-term fares or fare increases beyond the annual 2% permitted in legislation, oversight and disposition of major assets, and determination of executive compensation levels. Beginning January 1, 2015, the board will comprise seven members appointed by the Mayors' Council (as selected from a list compiled by an independent screening panel), plus the chair and vice chair of the Mayors' Council and up to two members appointed by the Province. Previously, there was no provincial representation on the board.

The Act preserves the ability of the board to annually raise property tax revenues by 3%, long-term fares as desired and short-term transit fares by 2% under normal conditions, while also protecting TransLink's ability to raise taxes and fares without limit in times of financial stress.

The Act continues to foster prudent financial planning by requiring management to prepare and adhere to a long-term strategy while also following a fully funded investment plan to guide expenditures over a shorter horizon. The long-term strategy must be outlined in a 30-year plan, updated every five years, while the investment plan covers a ten-year time frame and must be updated every three years. Both planning documents must now be approved by the Mayors' Council as opposed to just considering input from Council as had been the case previously. This is intended to ensure that the Mayors' Council will be supportive of required fare increases above those already permitted in legislation and the associated capital investment, as they are now both part of the fully funded ten-year investment plan.

Furthermore, although not yet in force, new legislation was also introduced that will require any new funding source not already available to TransLink under the Act, or any increase of the limits on or rates of increase provided for in the Act, be decided upon by way of a referendum. A new investment plan will not be adopted before a referendum takes place, which is expected to be in the first half of 2015, and, as such, the existing long-term strategy and base plan continue to apply until new plans are adopted by the Mayors' Council.

The South Coast British Columbia Transportation Authority

Financial Ratios	**2013***	**2012***	**2011***	**2010***	**2009**
Operating surplus (deficit)/total revenues	2.7%	(3.7%)	(3.8%)	(3.3%)	(20.7%)
Net surplus (deficit)/total revenues	2.5%	(0.7%)	(4.0%)	(4.5%)	(4.6%)
Financial assets/current liabilities	148.6%	125.0%	143.1%	60.6%	32.9%
Net interest costs/total revenues	10.0%	10.9%	11.3%	11.0%	11.2%
Debt service coverage (times) 1	1.3	0.9	0.9	1.0	(0.0)
$ per capita (in Metro Vancouver):					
- Net long-term debt	1,033	1,058	1,061	1,045	1,016
- Net long-term debt, self-supported debt and commitments 2	1,687	1,728	1,585	1,539	1,516
Interest Costs and Debt Service ($ thousands)					
Net interest costs 3	145,074	150,409	149,031	143,471	113,088
Net debt service costs 4	244,794	253,184	247,058	236,436	200,428

*The Authority adopted Canadian Public Sector Accounting Standards (PSAB) effective as of January 1, 2011 and fiscal 2010 results have been restated for comparison purposes. Prior year's results may not be perfectly comparable.

1 Recurring surplus plus depreciation and interest expenses, divided by net debt service costs. 2 Includes the contractor liability related to the Golden Ears Bridge and other capital commitments. 3 Defined as interest expense plus capitalized interest, net of interest earned on sinking fund assets. 4 Net debt costs are defined as net interest costs plus principal repayment on debt and capital leases.

The South Coast British Columbia Transportation Authority (CONTINUED)

Consolidated Statement of Operations ($ thousands)	2013*	2012*	2011*	2010*	2009 1
	For the year ended December 31				
Operating revenues	1,443,732	1,379,870	1,315,862	1,303,270	1,010,063
Operating expenses	1,404,858	1,430,825	1,365,286	1,345,874	1,219,439
Changes in non-controlling interest of subsidiary 2	-	-	-	-	100
Operating surplus (deficit)	38,874	(50,955)	(49,424)	(42,604)	(209,276)
Non-recurring items	(2,109)	41,600	(3,048)	(15,966)	(8,344)
Capital funding 3					171,022
Net surplus (deficit) as reported	**36,765**	**(9,355)**	**(52,472)**	**(58,570)**	**(46,598)**
Operating Revenues					
Transit	495,575	460,600	444,743	437,905	366,768
Taxation	741,307	714,414	682,350	689,846	575,753
AirCare, Golden Ears tolling & Canada Line contributions	78,261	78,400	71,386	68,398	36,286
Amortization of deferred concessionaire credit	23,273	23,337	23,345	23,078	9,053
Interest income	34,208	31,662	26,058	19,865	22,203
Miscellaneous revenues	5,771	5,581	4,984	-	
Capital funding 3	65,337	65,876	62,996	64,178	
Total revenues	**1,443,732**	**1,379,870**	**1,315,862**	**1,303,270**	**1,010,063**
Operating Expenses 1					
AirCare	16,163	17,380	19,100	18,837	16,328
Bus services	751,931	765,892	749,215	722,017	732,664
Corporate	80,445	73,657	67,970	88,104	50,072
Rail services	336,368	329,070	310,040	289,827	
Roads and bridges	191,269	216,363	194,796	214,832	160,364
Transit police	30,624	28,463	27,384	28,223	26,767
Other expenses					233,244
Total expenses	1,406,800	1,430,825	1,368,505	1,361,840	1,219,439
Non-recurring items	(1,942)	-	(3,219)	(15,966)	-
Total operating expenses before non-recurring items	**1,404,858**	**1,430,825**	**1,365,286**	**1,345,874**	**1,219,439**
Capital Expenditures	248,296	177,391	106,096	89,573	447,383
Cash Flow (DBRS-Adjusted)					
($ thousands)					
Recurring surplus (deficit)	38,874	(50,955)	(49,424)	(42,604)	(209,276)
Items not involving cash 4	94,157	90,593	99,370	105,510	140,593
Change in non-cash working capital	29,677	20,343	(19,299)	(45,591)	76,555
Operating cash flow from operations	162,708	59,981	30,647	17,315	7,872
Net capex 5	(248,463)	(85,890)	(93,543)	(88,572)	(276,218)
Free cash flow	**(85,755)**	**(25,909)**	**(62,896)**	**(71,257)**	**(268,346)**

*1 The Authority adopted Canadian Public Sector Accounting Standards (PSAB) effective as of January 1, 2011 and fiscal 2010 results have been restated for comparison purposes. Prior year's results may not be perfectly comparable. Furthermore, the presentation of expenses is notably different from prior years and expenses prior to 2010 could not be regrouped into the new presentation format. 2 Translink had 90% ownership of Transportation Property and Casualty Company Inc. prior to September 30, 2010, and then subsequently bought out the 10% minority shareholder. Represents the portion of annual income belonging to the minority shareholder. 3 Consists of federal gas tax funding received by Translink through the Union of BC Municipalities and other senior government capital contributions. Starting from fiscal 2010, the Capital Funding revenue category includes Operating Revenues to reflect PSAB requirements for transfers from government to be deferred and recognized as revenue as related stipulations in the relevant agreements are met, rather than recorgnized when received. 4 Amortization of capital and other assets and changes in non-controlling interest of TPCC. 5 Net proceeds from the sale of capital assets less capital expenditures. Starting in 2012, no longer includes capital funding since capital funding has been included in operating revenue given PSAB requirements to defer the recognition of senior government capital contributions.

The South Coast British Columbia Transportation Authority (CONTINUED)

Consolidated Balance Sheet

($ thousands)

As of December 31

Assets	2013*	2012*	2011*	2010*	2009
Cash and marketable securities	638,938	545,130	498,269	224,535	157,105
Accounts receivable	97,103	107,037	79,059	74,987	66,617
Inventories	46,869	43,372	39,434	36,335	33,196
Prepaid expenses	9,315	8,431	7,452	8,672	8,431
Current assets	**792,225**	**703,970**	**624,214**	**344,529**	**265,349**
Assets held for sale	14,164	-	-	-	
Long-term investments	22,248	29,420	20,258	20,509	22,789
Debt reserve deposits 1	39,677	41,263	42,250	40,857	40,631
Debt sinking funds 1	717,710	685,541	558,889	447,855	373,806
Capital assets	4,451,189	4,385,782	4,426,404	4,497,087	4,609,380
Deferred charges	-	-	-	-	-
Total Assets	**6,037,213**	**5,845,976**	**5,672,015**	**5,350,837**	**5,311,955**
Liabilities					
Accounts payable and accrued liabilities	235,987	222,694	180,563	203,658	249,787
Short-term debt	89,540	89,241	88,615	88,025	151,000
Current portion of capital lease obligations	2,716	2,450	-	-	-
Current portion of long-term debt	101,833	121,762	78,926	78,873	77,218
Total current liabilities	**430,076**	**436,147**	**348,104**	**370,556**	**478,005**
Employee future benefits	89,082	78,251	67,144	57,397	45,109
Long-term debt	2,475,452	2,425,492	2,292,237	2,095,070	1,818,934
Contractor liability 2	1,045,059	1,032,744	1,020,150	1,000,845	966,141
Deferred concessionaire credits 3	618,942	642,215	665,552	684,641	707,719
Capital lease obligations	1,078	1,925	-	-	-
Other	12,984	1,650	446	-	-
Deferred government capital contributions	1,238,101	1,137,878	1,179,353	990,827	-
Non-controlling interest in subsidiary 4	-	-	-	-	1,621
Total liabilities	**5,910,774**	**5,756,302**	**5,572,986**	**5,199,336**	**4,017,529**
Retained earnings	126,439	89,674	99,029	151,501	1,294,426
Total Liabilities and Equity	**6,037,213**	**5,845,976**	**5,672,015**	**5,350,837**	**5,311,955**

DBRS-Adjusted Net Debt

($ thousands)

	2013*	2012*	2011*	2010*	2009
Gross debt	2,666,825	2,636,495	2,459,778	2,261,968	2,047,152
Deferred concessionaire credits 3	618,942	642,215	665,552	684,641	707,719
Capital lease obligations	3,794	4,375	-	-	-
Less: sinking funds	(717,710)	(685,541)	(558,889)	(447,855)	(373,806)
Less: debt reserve deposit	(39,677)	(41,263)	(42,250)	(40,857)	(40,631)
Total DBRS-Adjusted Net Debt	2,532,174	2,556,281	2,524,191	2,457,897	2,340,434
Self-supported debt 2	1,045,059	1,032,744	1,020,150	1,000,845	966,141
Capital commitments	560,036	588,113	229,119	158,870	186,113

*The Authority adopted Canadian Public Sector Accounting Standards effective as of January 1, 2011 and fiscal 2010 results have been restated for comparison purposes. Prior year's results may not be perfectly comparable.

1 Debt reserve deposits and sinking fund assets are administered by MFABC. 2 Represents the amount of funding received to date for the Golden Ears Bridge to be repaid in the future by Translink through capital payments. 3 Funding provided by the concessionaire towards the construction of the Canada Line, amortized post completion over the term of the concession. 4 Translink had 90% ownership of Transportation Property and Casualty Company Inc. prior to September 30, 2010, and then subsequently bought out the 10% minority shareholder. Represents the portion of annual income belonging to the minority shareholder.

Rating History

	Current	2013	2012	2011	2010	2009
Issuer Rating	AA	AA	AA	NR	NR	NR
Senior Unsecured Debt	AA	AA	AA	AA	AA	NR
Commercial Paper	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	NR

Commercial Paper Limit

- $500 million

Related Research

- Rating Canadian Municipal Governments, September 29, 2014.
- DBRS Rates Senior Unsecured Debt Issue of SCBCTA (TransLink) at AA, December 2, 2013.

Previous Report

- South Coast British Columbia Transportation Authority, Rating Report, September 4, 2013.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on **www.dbrs.com**.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.