

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: April 19, 2011

SUBJECT: Draft Annual Report Toronto Transit Commission 2010

ACTION ITEM

RECOMMENDATION

It is recommended that the Audit Committee approve the draft Annual Report of the Toronto Transit Commission for the year 2010.

BACKGROUND

The mandate and responsibilities of the Audit Committee include a requirement to review the Annual Report and consider the accuracy and completeness of the information.

DISCUSSION

A draft copy of the 2010 Annual Report is hereby submitted for your review. The financial statements have been reviewed by the Audit Committee through a separate report.

The sections for your review at this time are:

- Letter from the Chair;
- 10-Year Non-consolidated Financial and Operating Statistics;
- Consolidated Budget and Actual Revenues and Expenses Summary (as requested by the City Audit Committee); and
- Management Directory – 2010.

The 2010 Annual Report will be issued following approval of the consolidated financial statements at the May 11, 2011 Commission meeting.

April 6, 2011

42-129

Attachment: 2010 Draft Annual Report

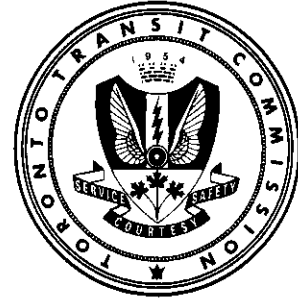
ANNUAL REPORT

2010



2010 ANNUAL REPORT

Toronto Transit Commission



As at December 31, 2010



Chair
Karen Stintz



Vice-Chair
Peter Milczyn

Commissioners



Maria
Augimeri



Vincent
Crisanti



Frank
Di Giorgio



Norm Kelly



Denzil
Minnan-Wong



Cesar Palacio



John Parker

Letter from the Chair

Date: April, 2011

To: Mayor Rob Ford and Councillors of the City of Toronto

It is my privilege to submit the 2010 Annual Report for the Toronto Transit Commission, my first since becoming Chair of the TTC.

Work Safe-Home Safe

There is nothing more important to the TTC than safety – the safety of its customers, as well as the safety of its employees. In 2010, the Work Safe-Home Safe program, a safety initiative designed to reduce workplace injuries at the TTC, continued with great success. Since the program began in 2008, we have seen a reduction in our lost-time injury rate of more than 28 per cent.

The program relies on all employees to participate and lead this safety program. Committees made up of unionized employees work with management employees to identify risks, and remove hazards. The program's goal is to ensure every TTC employee leaves work in the same condition in which he or she arrived – healthy and injury-free.

Customer Service

In March 2010, as part of the TTC's commitment to customer service excellence, the Commission approved the formation of an independent Customer Service Advisory Panel. The panel was Chaired by Mr. Steve O'Brien. Mr. O'Brien has 30 years experience in the hospitality industry, and is the General Manager of One King West Hotel and Residence in downtown Toronto.

The panel's mandate was to look at all customer service aspects of the TTC, with a view to making recommendations for improvement. They met with TTC customers and employees, online and in-person. The panel brought to bear their considerable expertise as professionals and as users of the TTC.

In August, the panel released their final report, containing 78 recommendations. The Commission is committed to improving the customer experience on the TTC and is now in the process of implementing these recommendations.

I would like to thank the members of the Customer Service Advisory Panel who volunteered considerable time to help us improve customer service at the TTC. Chair Steve O'Brien; Matthew Blackett, Publisher and Co-Founder, Spacing Magazine; TTC Operator Robert Culling; Advisory Committee on Accessible Transit Chair Susan Davidson; Yves Devin, CEO, Societe de Transport de Montreal; Tyson Matheson, Vice-President of People Relations & Culture, Westjet;

Dr. Roy Morley, Professor of Marketing, Ryerson University; Sue Motahedin, Manager, Loyalty & Relations, Telus; Krisna Saravanamuttu, President, York

Federation of Students; Kripa Sekhar, Executive Director, South Asian Women's Centre; and Julie Tyios, CEO, Red Juice Media.

Service

Transit service continued to be improved across the system and ridership continued to grow, reaching an all-time high of 477 million rides.

More than 100 service increases were made on 45 subway, streetcar, and bus routes to reduce crowding. One bus route was extended to serve an area of new demand, and one new express "Rocket" bus service was introduced to give customers new and faster travel options. Resources were added to 12 busy streetcar and bus routes to combat increasing traffic congestion and to improve service reliability.

On St. Clair Avenue West, streetcars returned to full operation in its own right-of-way. Customers and businesses alike have benefited from the improved streetcar service, and by the end of the year it was necessary to enhance service frequency on the 512 St Clair route to keep pace with increasing ridership.

Station Managers

In September, the TTC began the first phase of the implementation of Station Managers at eight downtown subway stations. Station Managers respond to subway delays and emergencies, provide customer information, report the need for emergency maintenance and ensure cleanliness of the stations, and help support the Collectors and overall customer service.

e-Communications

The TTC continued to improve communications with its customers. In February, the Internet Trip Planner was launched. The Trip Planner allows for customers to enter destination information in "from" and "to" fields. Using the TTC's schedules, the trip planner calculates the length of time the trip will take and suggests the quickest route to reach the destination. In October, Google Transit introduced TTC information to its trip planner.

In April, the Next Vehicle Arrival System was expanded with the installation of LED and LCD displays at a number of transit shelters and subway stations for next streetcar arrival times. With this system, customers can send an SMS text message to the TTC for a specific streetcar stop, and receive a real-time reply with the arrival time of up to the next two streetcars at that stop. Next bus information will be made available in 2011.

Post-Secondary Student Metropass

In August, the TTC launched a new Post-Secondary Student Metropass. The pass is available to post-secondary students enrolled in a full-time degree or diploma granting program, as well as for those enrolled full-time at a provincially-recognized career college. The cost of the Post-Secondary Student Metropass is \$99 per month, and must be used with a valid Post-Secondary TTC Student Photo ID card.

Toronto-York Spadina Subway Extension

Work continued in 2010 on the Toronto-York Spadina Subway Extension project, an extension of the Yonge-University-Spadina subway line. Design of six new stations was approved by the Commission, as preliminary construction work advanced along the 8.6 kilometre route in preparation of tunneling and the construction of these new stations. Production of four tunnel boring machines continued for a 2011 delivery to TTC launch sites.

The first tunneling contract for this estimated \$2.6 billion project was awarded in December. The Toronto-York Spadina Subway Extension project is jointly funded by the Government of Canada, the Province of Ontario, the City of Toronto, and The Regional Municipality of York.

Toronto Rocket

The TTC accepted its first new Toronto Rocket subway train on October 1, 2010. Delivery of 70 fully accessible train sets (420 cars), from Bombardier Transportation in Thunder Bay, is scheduled to take up to three years to complete.

These trains will replace the TTC's oldest fleet as it reaches its 30-year life expectancy, and to meet future ridership demands once the Spadina Subway Extension opens for revenue service.

The Toronto Rockets fleet combined with the re-signalling of the Yonge-University-Spadina subway line will ultimately allow the TTC to improve subway train headways (time between trains) to 90 seconds, as well as carry more people. The TTC's new subway trains will be a "six-car-fixed" configuration with open gangways that will enable customers to move freely from one end of the train to the other.

The new fleet of Toronto Rocket subway trains is jointly funded by the Government of Canada, the Province of Ontario and the City of Toronto.

In the Community

The 2010 TTC United Way Campaign set another record. TTC employees and pensioners raised \$1.4 million. Weekly pizza sales in the subway, bake sales, payroll deductions and the popular TTC Idol Contest were just a few of the successful fundraising efforts. As Chair of the TTC, I would like to extend my congratulations to employees, pensioners and especially, the dedicated volunteers who donated not just money, but their time, to help make the 2010 United Way campaign a great success.

On April 23, many TTC employees and senior staff participated in the Mayor's annual 20-minute makeover. And in May, as part of Doors Open Toronto, the public were invited to tour two TTC locations, Mount Dennis Bus Garage and Greenwood Shop. TTC employees also participated in two of Toronto's most popular summer events, the Pride Parade and Caribana.

A transit system as large and complex as Toronto's is only as good as the women and men who make it run each day. As Chair of the TTC, I am very proud of the more than 12,000 employees who make the TTC a great transit system. I look forward to working with TTC staff in 2011, as the TTC embarks on another exciting year for transit in Toronto.

And finally, I would like to thank all Councillors who served on the Commission in 2010: Former Chair Adam Giambrone, Joe Mihevc (Vice-Chair), Sandra Bussin, Maria Augimeri, Suzan Hall, Peter Milczyn, Anthony Perruzza, Bill Saundercook and Ron Moeser as well as the Commissioners appointed by Council following last year's election: Vice Chair Peter Milczyn, Denzil Minnan-Wong, John Parker, Maria Augimeri, Vincent Crisanti, Frank Di Giorgio, Norm Kelly and Cesar Palacio.

**Karen Stintz
Chair**

TORONTO TRANSIT COMMISSION

Conventional System:

10-Year Non-consolidated Financial and Operating Statistics

	2010	2009	2008
OPERATING STATISTICS (regular service inside the City)			
Passenger Trips (Millions)	477.4	471.2	466.7
Basic Adult Ticket Fare (at December 31) (\$)	2.50	2.25	2.25
Average Number of Employees (including TCTI)	12,553	12,324	11,679
Average Hourly Wages & Benefits per Operator (\$)	44.50	43.27	41.46
Kilometres Operated (Millions)			
Bus	124.0	123.7	114.2
Subway Car	75.7	75.5	74.9
Streetcar	12.7	12.3	12.1
Scarborough RT	3.3	3.3	3.3
Total Kilometres Operated	215.7	214.8	204.5
OPERATING REVENUE STATISTICS			
Operating Revenue - including property rental, etc. (\$ Millions)	987.5	886.4	891.8
Operating Revenue per Passenger Trip (\$)	2.07	1.88	1.91
Operating Revenue per Kilometre (\$)	4.58	4.13	4.36
OPERATING EXPENSE STATISTICS			
Operating Expenses (\$ Millions)	1,385.9	1,328.7	1,208.7
Operating Expense per Passenger Trip (\$)	2.90	2.82	2.59
Operating Expense per Kilometre (\$)	6.43	6.19	5.91
OPERATING SUBSIDY STATISTICS			
Operating Subsidy (\$ Millions) ²²	398.4 ²¹	442.3 ²⁰	316.9 ¹⁹
Operating Subsidy per Passenger Trip (\$)	0.83	0.94	0.68
Operating Subsidy per Kilometre (\$)	1.85	2.06	1.55
OPERATING DEFICIT/(SURPLUS) STATISTICS (see Notes for details)			
Operating Deficit/(Surplus) (\$ Millions)	-	-	-
Operating Deficit/(Surplus) per Passenger Trip (\$)	-	-	-
Operating Deficit/(Surplus) per Kilometre (\$)	-	-	-
REVENUE/COST RATIO	71.3% ¹	66.7% ¹	73.8% ¹
CAPITAL ASSETS (Conventional & Wheel-Trans)			
Investment in Capital Assets at December 31 (\$ Millions)			
Gross Investment (before contributions & depreciation)	9,713.5	8,801.9	8,069.0
City, Provincial, & Federal Contributions	(9,206.9)	(8,316.1)	(7,600.8)
TTC Investment (before depreciation)	506.6	485.8	468.2
PASSENGER VEHICLE FLEET			
(Conventional & Wheel-Trans, owned or leased and in service at December 31)			
Buses	1,811	1,782	1,737
Subway Cars	678	678	678
Streetcars	248	248	248
Scarborough RT Cars	28	28	28
Wheel-Trans Buses	227	188	147
Total Vehicle Fleet	2,992	2,924	2,838

NOTES:

- ¹ The 2002 to 2010 revenue/cost ratios were calculated as operating revenue/operating expenses (excluding capital from current). The 2001 ratios was restated in 2002 to conform to the presentation adopted in 2002.
- ² In 2001, the total subsidy paid by the City was \$147.6 million, consisting of \$126.6 million for the operating subsidy, \$18.1 million for capital from current, and \$2.9 million for the City special costs.
- ³ In 2002, the total subsidy paid by the City was \$152.2 million, consisting of \$161.1 million for the operating subsidy, \$12.7 million for capital from current, and \$2.9 million for the City special costs, less a \$24.5 million draw from the TTC Stabilization Reserve Fund.
- ⁴ In 2003, the total subsidy paid by the City was \$182.2 million, consisting of \$179.2 million for the operating subsidy and \$3.0 million for the City special costs. The \$16.8 million net operating deficit reduced the Commission's accumulated equity.
- ⁵ In 2004, the total subsidy paid by the City was \$114.2 million, consisting of \$111.2 million for the operating subsidy and \$3.0 million for the City special costs. The City allocated \$90.3 million of Provincial subsidy to the operating budget - amount revised in 2006. In lieu of capital from current, \$6.3 million was placed by the City in a Capital Financing Reserve Fund, to fund capital purchases in 2005.
- ⁶ In 2005, the total subsidy paid by the City was \$137.5 million, consisting of \$115.8 million for the operating subsidy, \$2.0 million for the City special costs, \$1.7 million for the TTC Land Acquisition Reserve Fund and \$24.4 million for the TTC Stabilization Reserve Fund, less a \$6.4 million long-term payable for employee benefits. The City allocated \$91.0 million of Provincial subsidy to the operating budget.
- ⁷ In 2006, the total subsidy paid by the City was \$272.5 million, consisting of \$168.1 million for the operating subsidy, \$2.7 million for the City special costs, \$1.7 million for the TTC Land Acquisition Reserve Fund (reported by the Commission in 2005) and \$116.6 million for the TTC Stabilization Reserve Fund (including the \$24.4 million reported by the Commission in 2005) less a \$16.6 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.

2007	2006	2005	2004	2003	2002	2001
459.8	444.5	431.2	418.1	405.4	415.5	420.0
2.25	2.10	2.00	1.90	1.90	1.80	1.80
11,233	10,905	10,669	10,553	10,450	10,356	10,191
39.60	38.39	37.02	35.79	34.79	33.45	32.29
107.6	105.9	102.9	100.7	99.8	100.4	97.7
74.5	77.7	77.7	78.4	77.5	76.2	75.5
11.8	11.6	11.7	12.2	11.8	11.3	11.7
3.7	4.1	4.3	4.4	4.1	4.3	4.4
197.6	199.3	196.6	195.7	193.2	192.2	189.3
825.8	782.6	753.4	731.2	703.0	687.8	670.6
1.80	1.76	1.75	1.75	1.73	1.66	1.60
4.18	3.93	3.83	3.74	3.64	3.58	3.54
1,125.4	1,042.3	960.2	932.7	899.0	848.9	797.2
2.45	2.34	2.23	2.23	2.22	2.04	1.90
5.70	5.23	4.88	4.77	4.65	4.42	4.21
299.6 ⁸	259.7 ⁷	206.8 ⁶	201.5 ⁵	179.2 ⁴	161.1 ³	126.6 ²
0.65	0.58	0.48	0.48	0.44	0.39	0.30
1.52	1.30	1.05	1.03	0.93	0.84	0.67
-	-	-	-	16.8	-	-
-	-	-	-	0.04	-	-
-	-	-	-	0.09	-	-
73.4% ¹	75.1% ¹	78.5% ¹	78.4% ¹	78.2% ¹	81.0% ¹	84.1% ¹
7,434.2	6,999.3	6,541.8	6,216.5	5,948.7	5,733.5	5,514.5
(6,985.0)	(6,562.8)	(6,123.1)	(5,802.9)	(5,543.0) ¹³	(5,337.2) ¹³	(5,121.5) ¹³
449.2	436.5	418.7	413.6	405.7	396.3	393.0
1,545	1,543	1,491	1,502	1,489	1,468	1,480
678	678	678	684	684	692	692
248	248	248	248	248	248	248
28	28	28	28	28	28	28
145	144	145	145	144	135	142
2,644	2,641	2,590	2,607	2,593	2,571	2,590

⁸ In 2007, the total subsidy paid by the City was \$98.3 million, consisting of \$208 million for the operating subsidy, \$2.8 million for the City special costs, less \$96 million drawn from the TTC Stabilization Reserve Fund and a \$16.6 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.

⁹ In 2008, the total subsidy paid by the City was \$131.4 million, consisting of \$145.1 million for the operating subsidy, \$2.8 million for the City special costs, less a \$16.5 million long-term payable for employee benefits. The City allocated \$171.8 million of Provincial subsidy to the operating budget.

¹⁰ In 2009, the total subsidy paid by the City was \$302.7 million, consisting of \$350.7 million for the operating subsidy, \$3.0 million for the City special costs, less a \$30.4 million long-term payable for accident claims and a \$20.6 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.

¹¹ In 2010, the total subsidy paid by the City was \$278.2 million, consisting of \$306.8 million for the operating subsidy, \$3.0 million for the City special costs, less a \$17.3 million long-term payable for accident claims and a \$14.3 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.

¹² The operating subsidy amounts do not include the capital from current amounts. For 2001 to 2002, the operating subsidy and operating subsidy per passenger and per kilometre amounts have been adjusted.

¹³ In 2003, the process for recording the disposition of subsidized capital assets was revised. The 2001 to 2003 capital subsidy amounts have been restated to conform to the new presentation.

**TORONTO TRANSIT COMMISSION
CONSOLIDATED BUDGET AND ACTUAL REVENUES AND EXPENSES SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2010**

UNAUDITED

(\$000s)

	TTC BUDGET	WT BUDGET	TCTI BUDGET	INTERCOMPANY ELIMINATIONS	CONSOLIDATED BUDGET	CONSOLIDATED ACTUAL
Revenue						
Passenger services	888,225	4,757	-	-	892,982	934,889
Advertising	15,250	-	-	-	15,250	18,904
Property rental	18,090	-	4,244	(134)	22,200	18,489
Outside city services	18,250	-	-	-	18,250	17,679
Miscellaneous	1,500	-	1,807	(324)	2,983	7,554
Total revenue	941,315	4,757	6,051	(458)	951,665	997,515
Expenses						
Wages, salaries and benefits	1,027,483	48,073	3,127	-	1,078,683	1,100,013
Depreciation	555,397	-	574	-	555,971	542,319
Amortization of capital contributions	(530,997)	-	-	-	(530,997)	(530,997)
Materials, services and supplies	162,560	9,909	1,361	(134)	173,696	162,129
Vehicle fuel	89,196	3,646	-	-	92,842	76,611
Accident claims	52,981	650	-	-	53,631	47,204
Electric traction power	35,111	-	-	-	35,111	33,211
Wheel-Trans contract services	-	25,822	-	-	25,822	32,658
Utilities	19,598	488	-	-	20,086	16,468
Interest expense net	-	-	324	(324)	-	-
Total expenses	1,411,329	88,588	5,386	(458)	1,504,845	1,479,616
Net income /(operating costs)	(470,014)	(83,831)	665	-	(553,180)	(482,101)
Long-Term Receivable Accident Claims	25,750	325	-	-	26,075	17,313
Long-Term Receivable Employee Benefits	17,600	830	-	-	18,430	14,918
City Special Costs	(3,141)	-	-	-	(3,141)	(2,985)
Operating subsidy from the City	429,805	82,676	-	-	512,481	453,329
Net operating surplus	-	-	665	-	665	474

Management Directory – December 31, 2010

SENIOR MANAGEMENT

Gary M. Webster
Chief General Manager

Rick Cornacchia
General Manager Operations

Vincent Rodo
General Secretary/
General Manager
Executive

John A. Sepulis
General Manager
Engineering & Construction

Scott Blakey
Executive Director
Human Resources

Allen J. Chocorlan
Deputy General Manager – Bus

Dave Dixon
Deputy General Manager – Rail

Brad Ross
Director – Corporate
Communications

DEPARTMENT HEADS

Terry A. Andrews
Chief Special Constable

Tony Baik
Chief Project Manager
Construction

Dick G. Beecroft
Chief Auditor

Andy G. Bertolo
Chief Project Manager
Spadina Subway Extension

John D. Cannell
Chief Operating Officer
Pension Fund Society

Anthony Creazzo
Senior Director
Support Services

Kathryn Dean
Manager
Training

Derick Finn
General Superintendent
Signals/Electrical/Communications

James Fraser
General Superintendent
Rail Transportation

William G. Frost
General Superintendent
Wheel-Trans

Domenic Garisto
Manager
Property Development

Sameh Ghaly
Chief Project Manager
Transit City

Bob Hughes
Chief Project Manager
TTC/GTA Farecard Project

David Hughes
Manager
Revenue Operations

Anthony Iannucci
Chief Information Officer (Acting)

Orest Z. Kobylansky
General Superintendent
Bus Maintenance

Brian M. Leck
General Counsel

Kevin Lee
Assistant General Secretary

Sandy MacDonald
Manager
Materials and Procurement

Paul Millett
Chief Project Manager
Yonge Subway Extension

John P. O'Grady
Chief Safety Officer

Susan Reed Tanaka
Manager - Engineering

Michael A. Roche
Chief Financial Officer

Gary A. Shortt
General Superintendent
Plant Maintenance

Alice E. Smith
Chief Marketing Officer

Brian Snowdon
General Superintendent
Rail Cars and Shops

Mitch Stambler
Manager
Service Planning

Jim Teeple
General Superintendent
Track & Structure

Robert J. Thacker
General Superintendent
Bus Transportation

SUBSIDIARY COMPANIES

Toronto Coach Terminal Inc.
Gary M. Webster
President

Toronto Transit Consultants Limited
Vincent Rodo
Treasurer

TTC Insurance Company Limited
Vincent Rodo
President

For further information, please contact:

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