

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: May 28, 2014

SUBJECT: Draft Annual Report For The Toronto Transit Commission For 2013

ACTION ITEM

RECOMMENDATION

It is recommended that the Audit Committee approve the draft Annual Report of the Toronto Transit Commission for the year 2013.

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 2013 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
- Letter from the CEO
- 10-Year Non-consolidated Financial and Operating Statistics
- 2013 Highlights; and
- Management Directory – 2013

The 2013 Annual Report will be issued following approval of the consolidated financial statements at the May 28, 2014 Board meeting.

42-22

Attachment: 2013 Draft Annual Report

2013 ANNUAL REPORT



TORONTO TRANSIT COMMISSION



TORONTO TRANSIT COMMISSION

THE TTC BOARD



Karen Stintz
Chair



Maureen Adamson
Vice-Chair

Board Members



Maria Augimeri



Glenn De Baeremaeker



Raymond Cho



Josh Colle



Nick Di Donato



Alan Heisey



Peter Milczyn



John Parker



Anju Virmani



Modernizing the TTC

Our Vision is to be a transit system that makes Toronto proud.

Our Mission is to provide a reliable, efficient, integrated bus, streetcar and subway network that draws its high standards of customer care from our rich traditions of safety, service and courtesy.

Our Challenge is to keep Toronto moving as we transform public transit and modernize the TTC.

Our Core Value is valuing time. For most, public transit represents the fastest and most cost-effective way to move around Toronto. At the TTC, this means valuing both the quality and quantity of time our customers spend with us. Valuing time lies at the heart of everything we do and everything we measure – it's a strong and deep-seated principle that will guide us forward.



CHAIR'S LETTER



It is my privilege to submit the 2013 Annual Report for the Toronto Transit Commission. In 2013, the TTC set an all-time record of 525.2 million rides, surpassing its previous record total of 514 million in 2012.

The TTC achieved a 2.2-per-cent increase in ridership despite two catastrophic events that hit the Toronto and the GTA: a severe ice storm in December and major flooding in the summer.

TTC ridership has now increased each year for the past 10 years. The TTC is projecting a new annual record ridership of 540 million in 2014.

Last year, the TTC set a new one-day ridership record, carrying 1.8 million customers on Nov. 28. The TTC also carried its 29 billionth rider last fall. With more than 1.6 million riders on an average weekday, the TTC maintains a cost-recovery rate of more than 70 per cent from the farebox – one of the highest in North America.

In 2013, we launched the inaugural Customer Charter – 31 time-bound customer service improvements. We have spent the last three years intensely focused on improving customer service and I'm incredibly proud of the nearly 13,000 employees that come to work every day and join us in our mission to improve the experience of our riders.

Karen Stintz

Karen Stintz
Chair



TTC Corporate Plan Strategic Objectives

Safety

A transit system that manages its risks, that protects its customers, contractors and employees, and that minimizes its impact on the environment.

Customer

A transit system that values customers and provides services that meet or exceed customer expectations.

People

An empowered, customer-focused workforce that values teamwork, pride in a job well done, and an organization that actively develops its employees.

Assets

Effective, efficient management of assets that delivers reliable services in a state of good repair.

Growth

An affordable expansion program that matches capacity to demand.

Financial Stability

A well-run, transparent business that delivers value for money in a financially viable way.

Reputation

An organization that is transparent and accountable, well-regarded by stakeholders and peers, in which employees are proud to play a part.



CEO'S STATEMENT



The TTC is at a critical crossroads in its journey to modernize the TTC and to support the Five-Year Corporate Plan that will transform the transit system into one that makes Toronto proud.

The TTC continues to rise to the challenge of ever-increasing, and record-setting, customer numbers within the tightest financial constraints of any transit system in North America. Over the past two years, the TTC has cut internal costs and lived within a frozen subsidy despite this ongoing, annual growth.

With ridership expected to hit a new record of 540 million trips in 2014, and with the demands on our Wheel-Trans service continuing to grow, we were seeking an increase in our operating subsidy to enable us to add more service to accommodate a predicted record 540 million rides in 2014. After a two-year subsidy freeze, it was vital that we secure an increase. We did just that, with an additional \$20 million being added to our annual Operating Budget for conventional services, plus an additional \$10 million for Wheel-Trans.

The TTC's Capital Budget is equally challenging. There is an urgent need for an additional \$2.7 billion in funding over the next 10 years to enable the TTC to maintain the existing network in a state of good repair, but also to build new capacity. At present, the City of Toronto, which funds the TTC's Capital Budget, cannot afford this. The TTC and City together have established a high-level task force to lobby both the provincial and federal governments to seek long-term, sustainable and predictable funding for the TTC's ongoing, and growing, needs.

We are making good progress on delivery of the 100-plus initiatives contained within our Five-Year Corporate Plan. I have taken steps to strengthen the management team and to further modernize business practices and techniques. We continue to focus on continuous improvement of our service and in changing the underlying culture of the TTC to be one that is customer-led.

It continues to be my honour to lead the TTC, a company that has a long and proud history in this great city.

Andy Byford
Chief Executive Officer



TORONTO TRANSIT COMMISSION





2013 EXECUTIVE TEAM



Andy Byford
Chief Executive Officer



Sameh Ghaly
Chief Capital Officer



Bob Hughes
Acting Chief Customer Officer



John O'Grady
Head of Safety and Environment



Gemma Piemontese
Head of Human Resources



Vincent Rodo
Chief Financial and
Administration Officer



Brad Ross
Executive Director –
Corporate Communications



Gary Shortt
Acting Chief Operating Officer



Joan Taylor
Chief of Staff



Chris Upfold
Acting Chief Service Officer



TOP 10 MILESTONES IN 2013



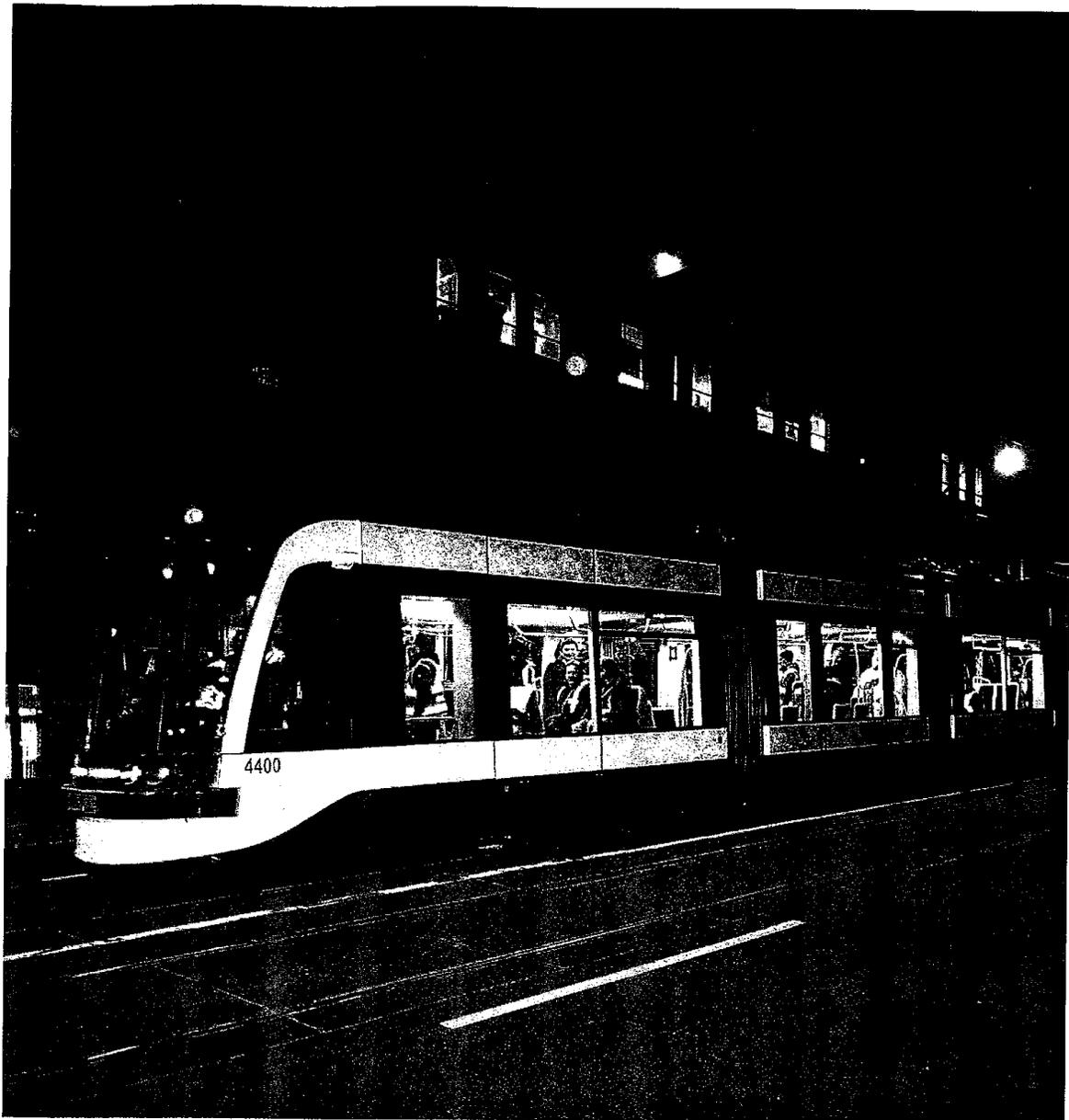
February 1 ▲

Luggage racks were introduced on all buses operating on the 192 Airport Rocket. The luggage racks, a request of many customers, are located across from the rear exit doors on up to 12 Orion VII buses. Four seats (two singles and one double) were removed to accommodate the stainless steel and aluminum racks, which are approximately six feet long by two feet deep. The racks also have customer handholds.

February 28 ▼

TTC Chair Karen Stintz and CEO Andy Byford officially launched the inaugural TTC Customer Charter at Bloor-Yonge Station. It contained 31 time-bound commitments for 2013. "The Charter is further evidence that, as management of the TTC, we expect to be held accountable and we intend to deliver on our promises," Byford said. "It's also important because it's a statement of intent that says we're not going to accept second best, we're going to challenge mediocrity and we're determined to deliver better customer service."





March 15 ▲

The TTC's new, accessible streetcar appeared on city streets for the first time during a test run of streetcar #4400 on Bathurst Street. The TTC's next-generation streetcars are scheduled to enter revenue service in 2014. These accessible vehicles will replace the aging fleet of CLRVs and ALRVs, and provide for ridership growth and congestion relief efforts.



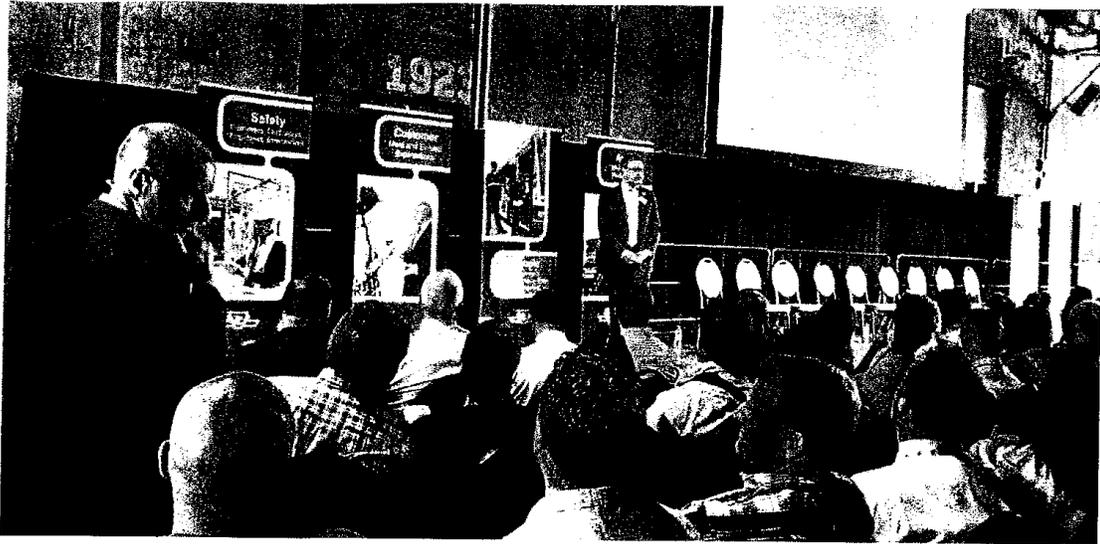
April 18 ▲

TTC Chair Karen Stintz and CEO Andy Byford introduced the TTC's six new Group Station Managers at Victoria Park Station. "A key part of transforming the TTC is to get our station management right," Byford said. "It's to provide single-point accountability to make sure that someone is obsessing about the detail of every aspect of our station operation, which is the

shop window for our customers who use our subway." From left: Eve Wiggins – Downtown Yonge (St Andrew to Summerhill); Ellen Stassen – University-Spadina (Downsview to Osgoode); Shelley Pickford – Bloor-Danforth East/SRT (Broadview to McCowan); Cameron Penman – Central (Castle Frank to Spadina); Bo Koch – Bloor-Danforth West (Bathurst to Kipling); and Michael Sosedov – North Yonge/Sheppard (Finch to St Clair; Sheppard line).



TORONTO TRANSIT COMMISSION



May 29 ▲

CEO Andy Byford unveiled the TTC's Five-Year Corporate Plan, a blueprint to transform and modernize the TTC. The plan outlines seven key objectives and a delivery strategy for each. Those objectives are: Safety. Customer. People. Assets. Growth. Financial Stability. Reputation. These are the things that the TTC has to get right if we are to reach Our Vision – a transit system that makes Toronto proud. The plan is designed to make the TTC more business-like and customer-focused.

June 18 ▼

The TTC and Distress Centres of Toronto extended an agreement for the subway's Crisis Link suicide prevention program to continue to 2018. Crisis Link is available on every subway platform and is designed to encourage anyone contemplating suicide to use the payphone in the Designated Waiting Area at each platform and speak with a trained personal crisis counsellor.



Thinking of suicide?
There is help.
Let's talk.

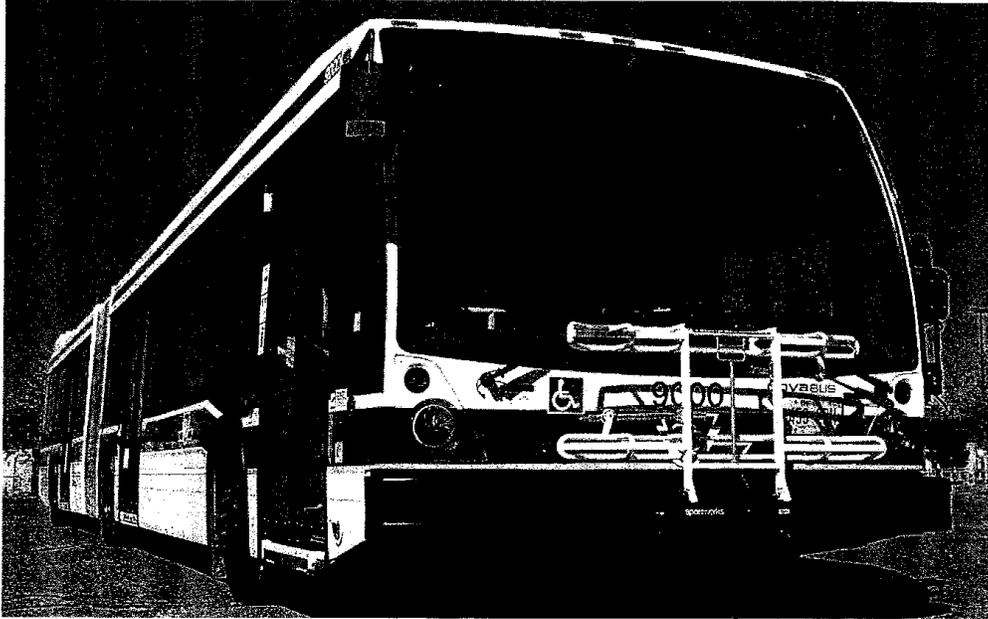
CRISIS LINK

Use the public telephone located near the Designated Waiting Area on this Subway Platform. Just press the blue auto-dial button for a direct line to the Crisis Link. It's a free call and it's confidential.

Or call Distress Centres anytime at 416-408-HELP(4357).

The Crisis Link Subway Platform Telephones are a joint project between

The Crisis Link is made possible through the support and funding of the TTC and Distress Centres of Toronto. The Crisis Link is a joint project between the TTC and Distress Centres of Toronto.



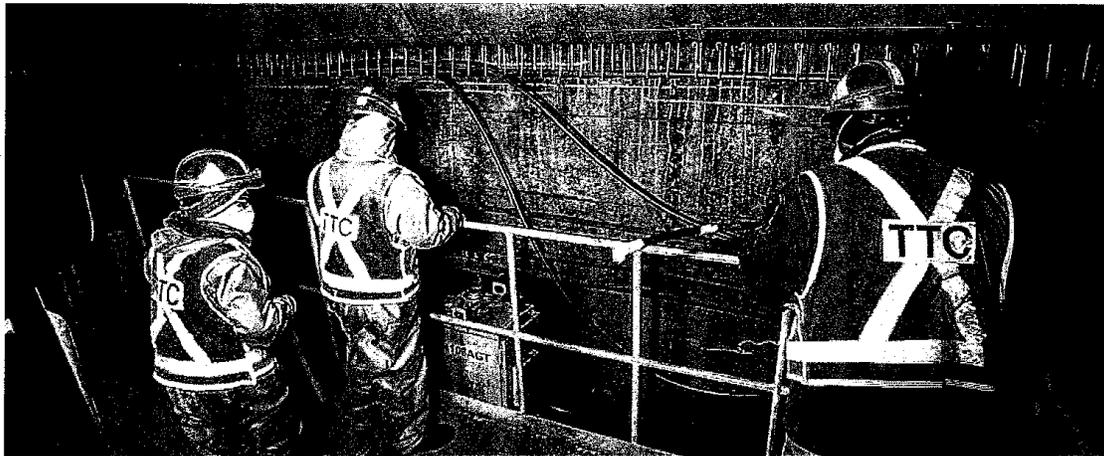
July 18 ▲

The TTC's first low-floor, articulated bus #9000 arrived from Nova Bus in St. Eustache, Quebec. The TTC's next generation of articulated buses are 18.3 metres long, low-floor with a front-door ramp and equipped with clean-diesel technology.

August 10-11 ▼

The TTC executed its largest-ever subway closure as crews conducted major signal work on the entire "U" portion of

the Yonge-University-Spadina subway (Bloor to St George stations). "A major bus shuttle was put into place and staff and signage were deployed at all stations so that customers knew where to go. When coverage of operator shifts became tight, operators volunteered to stay on following fantastic work by divisional managers and clerks to get the jobs covered. Meanwhile, on the subway, Transit Control and subway operators kept customers informed and kept the rest of the system moving," Byford said.



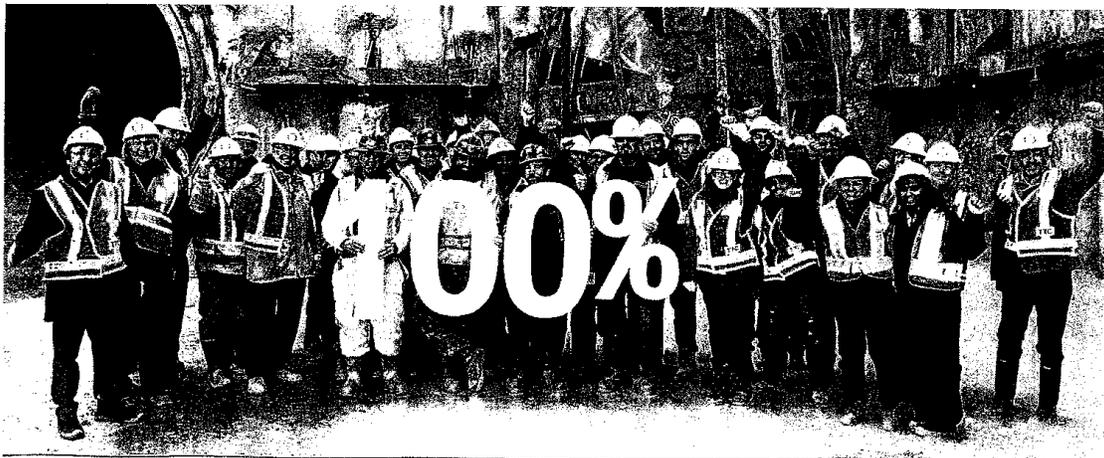


August 19-30 ▲

Pape Station was closed for 12 consecutive days, as favoured by the surrounding community in a survey, in order to speed up construction and modernization work. The work involved new finishes on floors, stairs, ceilings, a new bus-waiting area, elevators, bike parking and landscaping.

November 8 ▼

Tunnel Boring Machine, *Torkie*, broke through Highway 7 extraction shaft, marking the completion of all tunnelling required for the Toronto-York Spadina Subway Extension. The TYSE is a six-station, 8.6-km extension of Line 1 (Yonge-University-Spadina), and is scheduled to open in fall 2016.





TORONTO TRANSIT COMMISSION

CONVENTIONAL SYSTEM – 10 YEAR NON-CONSOLIDATED FINANCIAL & OPERATING STATISTICS (UNAUDITED)

	2013	2012	2011
OPERATING STATISTICS (regular service inside the City)			
Passenger Trips (Millions)	525.2	514.0	500.2
Basic Adult Ticket Fare (at December 31) (\$)	2.65	2.60	2.50
Average Number of Employees (including TCTI)	12,920	12,739	12,674
Average Hourly Wages & Benefits per Operator (\$)	47.94	47.35	46.07 ¹²
Kilometres Operated (Millions)			
Bus	129.6	125.0	123.6
Subway Car	79.3	78.6	76.1
Streetcar	12.5	12.6	13.1
Scarborough RT	3.5	3.1	3.3
Total Kilometres Operated	224.9	219.3	216.1
OPERATING REVENUE STATISTICS			
Operating Revenue – including property rental, etc. (\$ Millions)	1,120.2	1,087.3	1,026.4
Operating Revenue per Passenger Trip (\$)	2.13	2.11	2.05
Operating Revenue per Kilometre (\$)	4.98	4.96	4.75
OPERATING EXPENSE STATISTICS ¹			
Operating Expenses (\$ Millions)	1,491.7	1,472.4	1,460.0
Operating Expense per Passenger Trip (\$)	2.84	2.86	2.92
Operating Expense per Kilometre (\$)	6.63	6.71	6.76
OPERATING SUBSIDY STATISTICS			
Operating Subsidy (\$ Millions) ¹²	371.5 ¹¹	385.1 ¹⁰	433.6 ⁹
Operating Subsidy per Passenger Trip (\$)	0.71	0.75	0.87
Operating Subsidy per Kilometre (\$)	1.65	1.76	2.01
REVENUE/COST RATIO	75.1%	73.8%	70.3%
PASSENGER VEHICLE FLEET			
(Conventional & Wheel-Trans, owned or leased and in service at December 31)			
Buses	1,851	1,857	1,819
Subway Cars	704	708	712
Streetcars	247	247	247
Scarborough RT Cars	28	28	28
Wheel-Trans Buses	221	246	217
Total Vehicle Fleet	3,051	3,086	3,023



TORONTO TRANSIT COMMISSION

2010	2009	2008	2007	2006	2005	2004
477.4	471.2	466.7	459.8	444.5	431.2	418.1
2.50	2.25	2.25	2.25	2.10	2.00	1.90
12,553	12,324	11,679	11,233	10,905	10,669	10,553
44.74 ¹²	43.27	41.46	39.60	38.39	37.02	35.79
124.0	123.7	114.2	107.6	105.9	102.9	100.7
75.7	75.5	74.9	74.5	77.7	77.7	78.4
12.7	12.3	12.1	11.8	11.6	11.7	12.2
3.3	3.3	3.3	3.7	4.1	4.3	4.4
215.7	214.8	204.5	197.6	199.3	196.6	195.7
987.5	886.4	891.8	825.8	782.6	753.4	731.2
2.07	1.88	1.91	1.80	1.76	1.75	1.75
4.58	4.13	4.36	4.18	3.93	3.83	3.74
1,385.9	1,328.7	1,208.7	1,125.4	1,042.3	960.2	932.7
2.90	2.82	2.59	2.45	2.34	2.23	2.23
6.43	6.19	5.91	5.70	5.23	4.88	4.77
398.4 ⁸	442.3 ⁷	316.9 ⁶	299.6 ⁵	259.7 ⁴	206.8 ³	201.5 ²
0.83	0.94	0.68	0.65	0.58	0.48	0.48
1.85	2.06	1.55	1.52	1.30	1.05	1.03
71.3%	66.7%	73.8%	73.4%	75.1%	78.5%	78.4%
1,811	1,782	1,737	1,545	1,543	1,491	1,502
676	678	678	678	678	678	684
247	248	248	248	248	248	248
28	28	28	28	28	28	28
227	188	147	145	144	145	145
2,989	2,924	2,838	2,644	2,641	2,590	2,607



NOTES for CONVENTIONAL SYSTEM – 10 Year Non-Consolidated Financial & Operating Statistics (Unaudited)

1. In 2011, the TTC adopted Public Sector Accounting Standards (PSAS) for its financial reporting. Prior to the adoption of PSAS, depreciation expense on subsidized assets was completely offset by the related capital subsidy and the accounting expense for the TTC Pension Fund was equal to the TTC's cash contributions. To maintain consistency with both the pre-2011 presentation in this schedule and the TTC's operating budget, beginning in 2011, the operating expenses exclude the depreciation on subsidized assets, the TTC Pension Fund expense or income that is in excess of the TTC's cash contributions and capital project write downs and environmental expenses that are both funded through capital subsidy.
2. 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.
3. 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.
4. 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 TTC in 2005) and \$116.6 million for the TTC Stabilization Reserve Fund (including the \$24.4 million reported by the TTC 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.
5. 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 a \$96 million draw from the TTC Stabilization Reserve Fund, and a \$16.5 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.
6. 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.
7. 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.
8. 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.
9. In 2011, the total subsidy paid by the City was \$317.7 million, consisting of \$342.0 million for the operating subsidy, \$3.4 million for the City special costs, less a \$14.6 million long-term payable for accident claims and a \$13.1 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.
10. In 2012, the total subsidy paid by the City was \$278.4 million, consisting of \$293.5 million for the operating subsidy, \$3.5 million for the City special costs, less \$18.6 million long-term payable (employee benefits of \$23.3 million less accident claims of \$4.7 million). The City allocated \$91.6 million of Provincial subsidy to the operating budget.
11. In 2013, the total subsidy paid by the City was \$273.4 million, consisting of \$279.9 million for the operating subsidy, \$3.6 million for the City special costs, \$13.1 million for accident claims and less a \$23.2 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.
12. The 2011 and 2010 average hourly wages & benefits per operator amounts previously reported (2011 - \$45.05 and 2010 - \$44.50) have been updated to reflect negotiated improvements that were applied retroactively.



MANAGEMENT DIRECTORY — DECEMBER 31, 2013

Senior Management

Andy Byford
Chief Executive Officer

John Chamberlain (Acting)
Deputy Chief Operating Officer

Sameh Ghaly
Chief Capital Officer

Bob Hughes (Acting)
Chief Customer Officer

John P. O'Grady
Head of Safety and Environment

Gemma Piemontese
Head of Human Resources

Vincent Rodo
Chief Financial and Administration Officer

Brad Ross
Executive Director of Corporate
Communications

Gary Shortt (Acting)
Chief Operating Officer

Joan Taylor
Chief of Staff

Chris Upfold (Acting)
Chief Service Officer

Department Heads

Valerie Albanese
Head of Human Rights

Andy G. Bertolo
Chief Project Manager
Spadina Subway Extension

Glen Buchberger (Acting)
Head of Plant Maintenance

David Campbell (Acting)
Head of Service Delivery Control

Roger Caramanico (Acting)
Head of Customer Service Centre

Anthony Creazzo
Head of Operations Control

Mary Darakjian
Head of Pensions

Joanne DiBiase
Head of Training and Development

Jim Fraser
Head of Capital Programming

Domenic Garisto
Head of Property Development

Bob Hughes
Head of Farecard Team

Anthony Iannucci
Head of Information Technology Services

Joseph Kennelly
Head of Audit

Orest Z. Kobylansky
Head of Bus Transportation

Brian M. Leck
Head of Legal and General Counsel

Jim Lee
Head of Materials and Procurement

Kevin Lee
Head of Commission Services

Paul Millett (Secondment)
Chief Project Manager
Yonge Subway Extension

Jane Murray
Chief Project Manager Construction

Anna Pace
Head of Strategic Partnerships

Michael A. Roche
Head of Finance and Treasurer

James Ross (Acting)
Head of Subway Transportation

Kevin Seto
Head of Streetcar Maintenance

Alice E. Smith
Head of Customer Communications

Mitch Stambler
Head of Strategy and Service Planning

Susan Reed Tanaka
Head of Engineering

Raffaele Trentadue
Head of Rail Cars and Shops

Keith Watling (Acting)
Head of Rail Infrastructure

Rich Wong
Head of Bus Maintenance

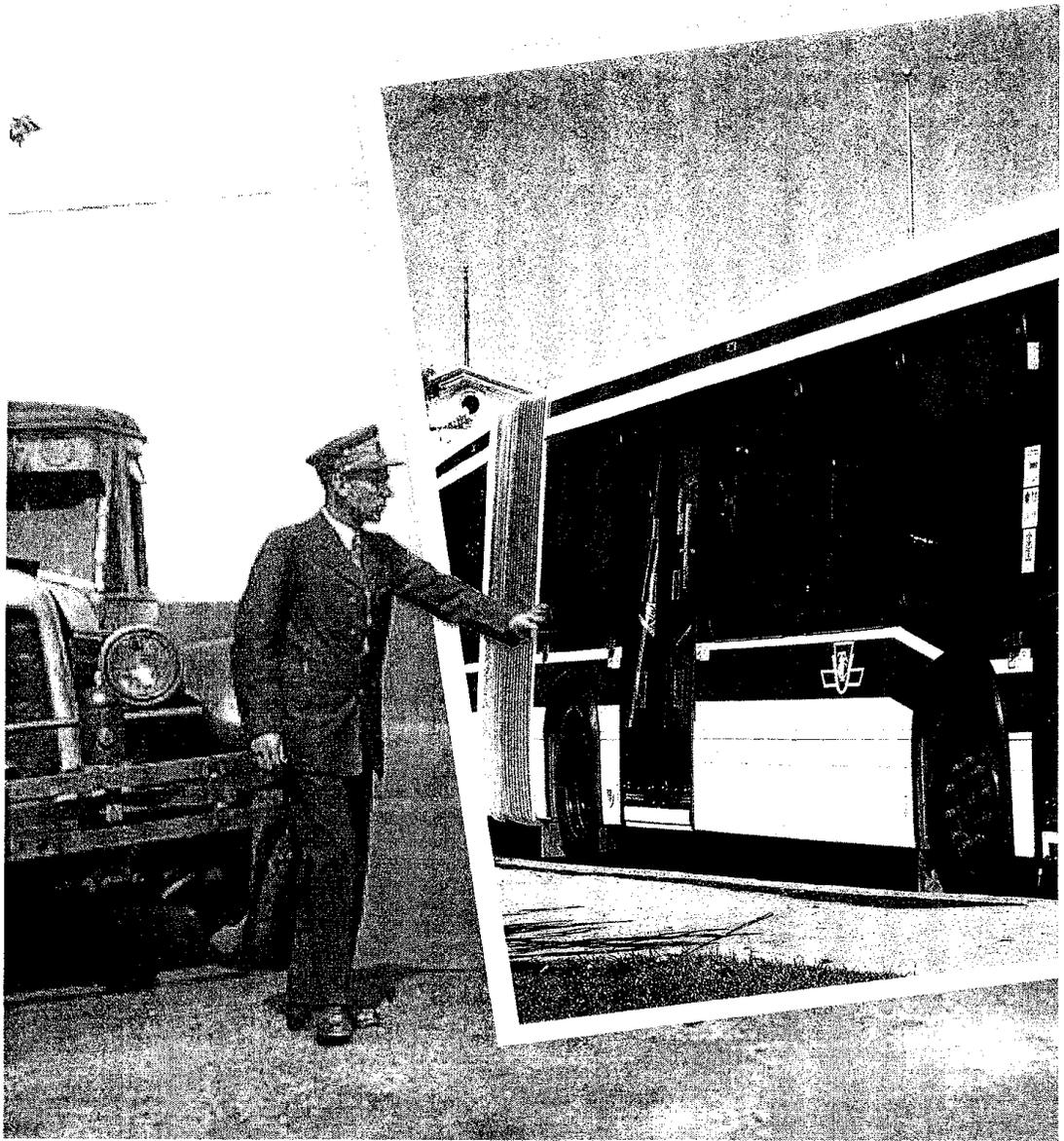
Subsidiary Companies

Toronto Coach Terminal Inc.
Vincent Rodo
President

Toronto Transit Infrastructure Limited
Vincent Rodo
Comptroller

TTC Insurance Company Limited
Vincent Rodo
President

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Fax: (416) 485-9394
Website: www.ttc.ca



TORONTO TRANSIT COMMISSION
