

ANNUAL REPORT

1994



TORONTO TRANSIT COMMISSION

1994 ANNUAL REPORT

Toronto Transit Commission





Letter from the Chair



TO: MR. ALAN TONKS, CHAIRMAN, AND COUNCILLORS OF THE MUNICIPALITY OF METROPOLITAN TORONTO

This 1994 Annual Report is presented on behalf of the Commissioners and employees of the Toronto Transit Commission (TTC).

1994 was a difficult year for the TTC. Ridership and subsidies declined. There was continued erosion of capital infrastructure – especially buses – to the point where capital value decreased. The year ended with a net operating deficit of \$20 million, creating a serious deterioration of our financial position.

Annual ridership fell 5 million to 388 million rides. By 1994, the average age of the bus fleet had increased from eight to ten years because no new buses have been received since 1991. None are expected to be delivered until mid-1996.

Throughout the year, the TTC was the object of significant attention as the future of rapid transit in Metropolitan Toronto was energetically debated. By the end of 1994, the TTC was building two new subway lines – Eglinton West and Sheppard – at a cost of \$1.9 billion.

1994 was also the year the TTC celebrated the fortieth anniversary of the opening of the Yonge Subway line, the first subway to be built in Canada. Thousands crowded the Grand Hall at Union Station to share a 32-foot birthday cake and listen to former Mayor Allan Lamport recall his ride on the first train on March 30, 1954.

I would be remiss at this time if I did not thank former TTC Chief General Manager Al Leach – who retired after seven years at the helm – as well as former TTC Chair Mike Colle. Both have entered the world of provincial politics and we thank them for their dedication to public transit and the strong leadership they have shown throughout the years. I would also like to take this opportunity to thank former TTC Vice-Chair Bev Salmon and former Commissioner and Chair Lois Griffin for the time and effort they expended.

My sincere thanks also go to Vice-Chair Howard Moscoe, Commissioners Brian Harrison, Case Ootes, Joe Pantalone, Blake Kinahan and to you for the enthusiasm and commitment shown to the goals of the TTC.

A handwritten signature in cursive script that reads "Paul Christie".

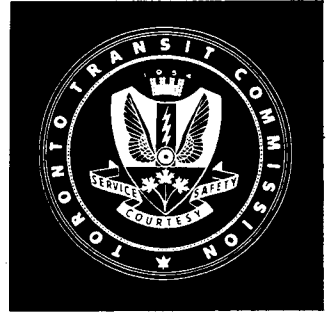
Paul Christie
Chair



Toronto Transit Commission

FINANCIAL STATEMENTS

Year Ended
December 31, 1994





Auditors' Report

APRIL 6, 1995

TO THE CHAIR AND MEMBERS
OF THE TORONTO TRANSIT COMMISSION

We have audited the balance sheet of the Toronto Transit Commission as at December 31, 1994 and the statements of operations and accumulated net equity and of changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The financial statements for the year ended December 31, 1993 were jointly audited by the Metropolitan Auditor and KPMG Peat Marwick Thorne, who expressed an opinion without reservation on those statements in their report dated April 8, 1994.



Allan G. Andrews, C.A.,
Metropolitan Auditor

**Deloitte &
Touche**



A handwritten signature in cursive script that reads "Deloitte & Touche".

Chartered Accountants
Toronto, Canada

A handwritten signature in cursive script, likely belonging to Allan G. Andrews.

Metropolitan Auditor
Toronto, Canada

Balance Sheet

(in thousands)

December 31, 1994

December 31, 1993

ASSETS

Current assets

Cash and short-term investments	\$ 15,378	\$ 7,008
Accounts receivable		
The Municipality of Metropolitan Toronto	47,779	64,519
Other	8,969	8,564
Inventories	31,525	30,022
Working funds and prepaid expenses	3,083	3,831

\$ 106,734 **\$ 113,944**

Long-term assets

Investment in subsidiary (note 5)	17,567	16,517
Net capital assets (note 6)	113,407	111,609

\$ 237,708 **\$ 242,070**

LIABILITIES AND EQUITY

Current liabilities

Accounts payable and accrued liabilities	\$ 122,672	\$ 112,705
Deferred passenger revenue	22,740	20,100
Unsettled accident claims (note 7)	7,300	7,500
Employee benefits	5,910	5,460
Debenture debt	1,272	1,208

\$ 159,894 **\$ 146,973**

Long-term liabilities

Unsettled accident claims (note 7)	14,900	12,900
Employee benefits	28,450	26,580
Debenture debt	–	1,272
Other	9,279	9,160

212,523 **196,885**

Accumulated net equity

25,185 45,185

\$ 237,708 **\$ 242,070**

Statement of Operations and Accumulated Net Equity

(in thousands)	Year ended December 31, 1994	Year ended December 31, 1993
CONVENTIONAL TRANSIT SYSTEM		
REVENUE		
Passenger services	\$ 420,519	\$ 425,426
Property rental	11,819	10,404
Advertising	7,399	7,501
Miscellaneous	5,057	3,721
Total revenue	\$ 444,794	\$ 447,052
EXPENSES		
Wages, salaries and benefits	519,667	535,248
Materials, services and supplies	76,164	67,290
Electric traction power	24,093	24,848
Vehicle fuel	23,863	25,146
Depreciation	10,712	10,745
Accident claims	8,876	9,288
Property taxes	8,512	8,560
Total expenses	671,887	681,125
Net operating costs	\$ 227,093	\$ 234,073
(in thousands)	Year ended December 31, 1994	Year ended December 31, 1993
WHEEL-TRANS SYSTEM		
REVENUE		
Passenger services	\$ 1,233	\$ 1,320
Total revenue	1,233	1,320
EXPENSES		
Wages, salaries and benefits	25,492	27,002
Contract services	7,298	7,929
Materials, services and supplies	5,915	5,464
Vehicle fuel	1,030	1,150
Accident claims	366	86
Total expenses	40,101	41,631
Net operating costs	\$ 38,868	\$ 40,311
Total net operating costs	265,961	274,384
Operating subsidies	245,961	274,384
Net operating deficit	(20,000)	-
Accumulated net equity, beginning of year	45,185	45,185
Accumulated net equity, end of year	\$ 25,185	\$ 45,185

Statement of Changes in Financial Position

(in thousands)	Year ended December 31, 1994	Year ended December 31, 1993
CASH (USED IN) GENERATED BY OPERATIONS		
Total net operating costs	\$(265,961)	\$(274,384)
Items not affecting cash and short-term investments:		
Depreciation	10,712	10,745
Unsettled accident claims	2,000	100
Long-term employee benefits	1,870	3,980
Other long-term liabilities	119	3,375
Accrued interest on advances to subsidiary	(1,050)	(878)
	(252,310)	(257,062)
Changes in non-cash operating working capital	28,437	(4,117)
	(223,873)	(261,179)
CASH (USED IN) INVESTMENT ACTIVITIES		
Capital asset acquisitions	(228,420)	(162,058)
CASH GENERATED BY (USED IN) FINANCING ACTIVITIES		
Operating subsidies:		
Conventional transit system	207,093	234,073
Wheel-Trans system	38,868	40,311
Capital subsidies	215,910	150,900
Debenture debt repayment	(1,208)	(1,800)
	460,663	423,484
Increase in cash and short-term investments during year	8,370	247
Cash and short-term investments, beginning of year	7,008	6,761
Cash and short-term investments, end of year	\$ 15,378	\$ 7,008

Notes to Financial Statements Year Ended December 31, 1994

1. NATURE OF OPERATIONS

The Toronto Transit Commission (the "Commission") was established on January 1, 1954 to provide conventional transit service for the municipalities comprising The Municipality of Metropolitan Toronto ("Metro"). The Commission is dependent on Metro and the Province of Ontario (the "Province") for both operating and capital subsidies. The Commission also operates Wheel-Trans, a transit service for people with disabilities, which is also subsidized by Metro and the Province (notes 3 and 4). The Commission is not subject to income and capital taxes and receives exemption from certain property taxes.

These financial statements include the operations of Toronto Transit Consultants Limited ("TTCL"). However, they do not include the operations of Metropolitan Toronto Coach Terminal Inc. ("MTCTI" - note 5) and its subsidiary, TTC Insurance Company Limited (the "Insurance Co." - note 7). Financial statements for these entities are published separately.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in the preparation of the financial statements for the Commission are in accordance with generally accepted accounting principles and have been applied consistently. The significant accounting policies are outlined below.

a. Passenger revenue

Revenue is recognized when cash, tickets and tokens are used by the passenger. Revenue from passes is recognized in the period in which the passes are valid.

b. Inventories

Inventories are valued at cost, as determined on an average basis.

c. Investment in subsidiary

The investment in MTCTI is carried at cost. Dividends are recorded as revenue when received.

d. Capital assets and depreciation

Capital assets are recorded at cost less capital contributions.

Depreciation is calculated using the straight-line method, based on the estimated useful lives of major assets, as follows:

ASSET	Years
Subway	20 - 65
Rolling stock	20 - 30
Buses	18
Buildings	12 - 40
Other equipment	3 - 25
Trackwork	10 - 25
Power distribution system	25 - 30

Land purchased directly by Metro for the Commission's use is recorded in Metro's records.

e. Unsettled accident claims

The Commission has a self-insurance program for automobile and general liability claims (see note 7). When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the Commission. Salvage and subrogation amounts are reflected as reductions to case reserves, where applicable. Provision has been made on a present value basis for claims incurred but not reported and for internal and external adjustment expenses.

3. OPERATING SUBSIDY

a. Conventional transit

By agreement with Metro, the Commission normally establishes its fares each year at the level required to produce total budgeted revenue from operations equal to 68% of total estimated operating expenses (as defined for provincial subsidy purposes). Metro normally provides an operating subsidy equal to the remaining expenses.

Metro in turn obtains a subsidy from the Province equal to 16% of eligible expenses and additional subsidies for certain costs. Under these arrangements, if actual revenue and expenses for the year are equal to the budgeted figures, the operating subsidy is shared approximately equally by Metro and the Province.

In 1993, the Province and Metro agreed to provide an additional, special operating subsidy of \$7 million each, which effectively reduced the budgeted revenue from operations to 66% of eligible operating expenses.

In 1994, the Commission received a total operating subsidy from Metro of \$207.1 million, including \$111.7 million from the Province. The remaining \$20 million was financed from accumulated net equity.

The funding of conventional transit operating costs (as defined for provincial subsidy purposes) for 1994 and 1993 is estimated to be as follows:

	1994	1993
By the Commission	69.4%	65.7%
By Metro	13.7%	17.0%
By the Province	16.9%	17.3%

b. Wheel-Trans

Metro undertakes in its budget to provide an operating subsidy equal to the net operating costs and in turn receives a 50% contribution from the Province.

4. CAPITAL SUBSIDY

The current bases for capital contributions are outlined below.

a. Conventional transit

The Commission receives a 100% subsidy from Metro for subway and light-rail additions and improvements, and for certain other capital works projects. Metro then recovers 75% of the subsidy from the Province.

The Commission receives a 75% subsidy from Metro for most of its other capital asset additions. Metro then recovers the subsidy from the Province.

b. Wheel-Trans

The Commission receives a 100% subsidy from Metro for capital expenditures. Metro then recovers 50% of the subsidy for most assets from the Province.

5. INVESTMENT IN SUBSIDIARY

MTCTI owns and operates an inter-city coach terminal located in Metropolitan Toronto. The investment in MTCTI consists of:

(in thousands)	1994	1993
Investment	\$ 1,000	\$ 1,000
Advances, including interest at prime rate	16,567	15,517
	\$ 17,567	16,517

The advances to MTCTI were funded by an interest-bearing loan from Metro.

The Commission's statement of operations and accumulated net equity includes accrued interest income from MTCTI of \$1.1 million (1993 - \$0.9 million) and a charge to MTCTI of \$1 million (1993 - \$1 million) for rental of property and equipment, use of joint facilities and administrative services. At

December 31, the Commission had a payable to MTCTI of approximately \$68,000 (1993 - a receivable of \$507,000).

6. NET CAPITAL ASSETS

The net capital assets of the Commission are as follows:

(in thousands)	1994	1993
Subway	\$ 825,399	\$ 820,785
Rolling Stock	571,427	572,160
Construction in progress	446,606	272,773
Buses	279,715	279,282
Buildings	248,077	232,790
Other equipment	201,780	185,151
Trackwork	167,540	154,443
Power distribution system	77,835	75,855
Land	12,251	12,251
	\$ 2,830,630	\$ 2,605,490
Less capital contributions	(2,532,930)	(2,317,020)
	\$ 297,700	\$ 288,470
Less accumulated depreciation	(184,293)	(176,861)
Net capital assets	\$ 113,407	\$ 111,609

7. UNSETTLED ACCIDENT CLAIMS

Insurance Co. was established during the year, to provide insurance coverage for compulsory automobile personal injury and accident benefit claims for the Commission and MTCTI. The Commission has purchased insurance to cover automobile claims in excess of \$5,000,000.

The Commission must reimburse Insurance Co. for all costs. At December 31, the unsettled accident claims liability includes, on a present value basis, a payable to Insurance Co. to reimburse it for all automobile claims incurred. This payable is covered by an indemnity agreement between the Commission and Insurance Co. and is guaranteed by Metro.

8. EMPLOYMENT AND POST-EMPLOYMENT BENEFITS

The Commission provides medical, dental, life insurance and long-term disability benefits to employees. The Commission, as a Schedule II employer under the Workers' Compensation Act, is self-insured for work-related claims. These benefits are accrued in the accounts.

The Commission also provides certain health care and life insurance benefits to retirees. These benefits are recorded when paid by the Commission.

9. PENSION PLAN

The Commission maintains a multi-employer, defined benefit/defined contribution pension plan that covers substantially all employees of the Commission. It is operated by the Toronto Transit Commission Pension Fund Society (the "Society"). The Society provides pensions to members based on length of service and average base year (pensionable) earnings. The base years, which are currently the highest consecutive four years ending December 31, 1993, are updated from time to time provided the financial position of the Society so permits. The members and the Commission contribute 6.25% of covered earnings up to the Canada Pension Plan maximum pensionable earnings (\$34,400 for 1994). The members and the Commission then contribute 7.85% of covered earnings in excess of this amount.

Based on the latest actuarial reports as at January 1, 1994 and January 1, 1993, the Society's records included an unfunded actuarial liability, as follows:

(in thousands)	Jan 1/94	Jan 1/93
Pension obligations	\$1,364,327	\$1,241,972
Actuarial value of assets	1,267,559	1,122,629
Unfunded actuarial liability	\$ 96,768	\$ 119,343

Total contributions to the Society meet the minimum funding requirements in accordance with pension legislation and provide for the amortization of unfunded liabilities over 15 years. The contributions by the Commission amounted to \$32 million in 1994 (1993 - \$32.3 million).

10. ENVIRONMENTAL PROVISION

The Commission has included in its liabilities a provision for compliance with environmental legislation. Those costs that can be reasonably determined at this time have been accrued.

11. COMMITMENTS AND CONTINGENCIES

- a. In the normal course of its operations, the Commission and its entities are subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, the Commission's management believes that the ultimate disposition of these matters will not have a material adverse effect on its financial position.
- b. The Commission is committed to purchase 216 subway cars, at a total estimated contract cost of \$567 million. At December 31, progress payments of \$100 million have been made.

- c. The Commission has contracts for the construction of various capital projects. At December 31, these contractual commitments are approximately \$275,530,000.
- d. The Commission is committed to purchase 100 low-floor natural gas buses at a total estimated cost of \$37.7 million. At December 31, progress payments of \$7.5 million have been made. The Commission has a third-party performance bond in the event of non-delivery.
- e. The Commission leases certain premises under operating lease agreements. The future minimum lease commitments are as follows:

YEAR	
1995	\$ 5,200
1996	5,200
1997	5,200
1998	5,200
1999	5,400
thereafter	\$ 20,100

12. COMPARATIVES

Certain comparative figures have been reclassified to conform with the presentation adopted in 1994.

Conventional System 10-Year Financial and Operating Statistics

	1985	1986	1987	1988
OPERATING STATISTICS (regular service inside Metro)				
Passenger Trips (Millions)	432.2	441.0	456.9	463.5
Basic Adult Ticket Fare (at December 31) (\$)	0.74	0.80	0.83	0.88
Average Number of Employees (including MTCTI)	9,628	9,636	9,734	9,963
Average Hourly Wages & Benefits per Operator (\$)	18.40	19.49	20.58	21.63
Kilometres Operated (Millions)				
Bus	94.2	95.8	97.6	100.1
Subway Car	69.8	71.0	72.9	72.2
Streetcar	14.7	14.5	14.2	13.9
Trolley Coach	5.8	5.7	5.7	5.3
Scarborough RT	1.4	2.6	2.6	2.3
Total Kilometres Operated	185.9	189.6	193.0	193.8
OPERATING REVENUE STATISTICS				
Operating Revenue - including property rental, etc. (\$ Millions)	301.6	334.8	357.7	381.5
Operating Revenue per Passenger Trip (cents)	69.8	75.9	78.3	82.3
Operating Revenue per Kilometre (cents)	162.2	176.6	185.3	196.9
Operating Revenue per Employee (\$ Thousands)	31.3	34.7	36.7	38.3
OPERATING EXPENSE STATISTICS				
Operating Expenses (\$ Millions)	427.0	461.0	494.5	531.9
Operating Expense per Passenger Trip (cents)	98.8	104.5	108.1	114.8
Operating Expense per Kilometre (cents)	229.7	243.1	256.2	274.5
Operating Expense per Employee (\$ Thousands)	44.3	47.8	50.8	53.4
OPERATING SUBSIDY STATISTICS				
Operating Subsidy (\$ Millions)	125.4	126.2	136.8	150.4
Operating Subsidy per Passenger Trip (cents)	29.0	28.6	29.9	32.4
Operating Subsidy per Kilometre (cents)	67.5	66.6	70.9	77.6
Operating Subsidy per Employee (\$ Thousands)	13.0	13.1	14.1	15.1
REVENUE/COST RATIO (for eligible revenue & expenses)	68.1%	69.5%	70.0%	69.5%
CAPITAL ASSETS (Conventional & Wheel-Trans)				
Investment in Capital Assets at December 31 (\$ Millions)				
Gross Investment (before contributions & depreciation)	1,574.8	1,737.0	1,856.4	1,986.3
Metro & Provincial Contributions	(1,348.2)	(1,505.5)	(1,619.5)	(1,745.2)
TTC Investment (before depreciation)	226.6	231.5	236.9	241.1
PASSENGER VEHICLE FLEET				
(Conventional and Wheel-Trans, owned or leased and in service December 31)				
Buses	1,512	1,525	1,570	1,648
Subway Cars	630	630	655	645
Streetcars	284	275	282	290
Trolley Coaches	150	150	139	139
Scarborough RT Cars	24	28	28	28
Wheel-Trans Buses	19	30	69	123
Total Vehicle Fleet	2,619	2,638	2,743	2,873

Notes:

1. 1991 revenue does not include a \$48 million dividend from Metropolitan Toronto Coach Terminal Inc. (MTCTI).
2. 1992 and 1993 revenue does not include draws from the Transit Improvement Reserve Fund.
3. The reduction in the 1994 average hourly wages & benefits for Operators relates to the Social Contract savings.

1989	1990	1991	1992	1993	1994	% Increase (Decrease) 1985 - 1994
450.7	459.2	424.2	404.3	393.5	388.3	-10.2%
0.94	1.00	1.07	1.30	1.30	1.30	75.7%
10,176	10,351	10,218	10,051	9,717	9,621	-0.1%
23.24	24.99	26.59	28.30	28.75	28.08 ³	52.6%
98.1	101.9	98.8	102.1	99.0	100.5	6.7%
70.4	70.9	67.8	65.1	63.6	63.8	-8.6%
13.1	13.1	12.7	12.0	11.5	11.2	-23.8%
5.0	5.4	4.8	0.5	0.7	0.0	-100.0%
3.2	3.3	3.3	3.5	3.7	3.6	157.1%
189.8	194.6	187.4	183.2	178.5	179.1	-3.7%
401.7	440.4	430.7 ¹	446.4 ²	447.0 ²	444.8	47.5%
89.1	95.9	101.5	110.4	113.6	114.6	64.1%
211.6	226.3	229.8	243.7	250.4	248.4	53.1%
39.5	42.5	42.2	44.4	46.0	46.2	47.6%
561.5	628.3	662.6	691.0	681.1	671.9	57.4%
124.6	136.8	156.2	170.9	173.1	173.0	75.1%
295.8	322.9	353.6	377.2	381.6	375.2	63.3%
55.2	60.7	64.8	68.7	70.1	69.8	57.5%
159.8	187.9	231.9	244.6	234.1	207.1	65.2%
35.5	40.9	54.7	60.5	59.5	53.3	83.8%
84.2	96.6	123.7	133.5	131.1	115.6	71.3%
15.7	18.2	22.7	24.3	24.1	21.5	65.4%
69.2%	67.4%	65.3%	66.2%	65.7%	69.4%	1.9%
2,089.2 (1,841.2)	2,188.7 (1,931.5)	2,305.8 (2,047.7)	2,445.3 (2,161.5)	2,605.5 (2,317.0)	2,830.6 (2,532.9)	79.5% 87.5%
248.0	257.2	258.1	283.8	288.5	297.7	31.4%
1,687	1,744	1,677	1,592	1,564	1,564	3.4%
629	622	622	622	622	622	-1.3%
300	270	265	267	267	267	-6.0%
139	139	120	40	0	0	-100.0%
28	28	28	28	28	28	16.7%
123	123	124	140	141	140	636.8%
2,906	2,926	2,836	2,689	2,622	2,621	0.1%