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# ANNUAL REPORT

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1998



TORONTO TRANSIT COMMISSION

1998 ANNUAL REPORT  
Toronto Transit Commission



**Chair**  
Howard Moscoe



**Vice-Chair**  
Rob Davis

**Commissioners**



Brian Ashton



Blake Kinahan



Chris Korwin-Kuczynski



Joe Mihevc



David Miller





## Letter from the Chair

DATE: June, 1999

TO: MR. MEL LASTMAN, MAYOR, AND COUNCILLORS OF THE CITY OF TORONTO

This 1998 Annual Report is presented on behalf of the Commissioners and employees of the Toronto Transit Commission ("TTC").

1998 has been a very challenging year, as the new amalgamated City of Toronto has had to deal with many complex and difficult issues. Certainly, many issues affecting the TTC have arisen, particularly the need to secure long-term funding for maintaining the state-of-good-repair.

Under Chief General Manager, David L. Gunn, the TTC has achieved a strong operational command structure and is staffed with technically-skilled individuals. Operations is clearly divided between subway and surface, there are clear lines of responsibility and the focus is on replacing infrastructure on a life-cycle basis.

The clear result is that the system has made tremendous gains in safety and reliability for our customers.

In addition to upgrading tracks, signals, tunnels and communications, one of our more outstanding achievements has been an extensive bus, streetcar and subway vehicle-rebuilding program. The TTC is currently rebuilding subway vehicles, streetcars and, at the rate of five per week, six- and twelve-year-old buses.

The Commission is also now rebuilding 18-year-old buses, which have been scrapped by other properties. This is because current models of new buses, with tubular frames that corrode in early life, are not cost effective to purchase.

This past fall, the TTC met with major transit properties in North America to develop common specifications for manufacturers to build a better bus that would be both reliable and affordable.

Like every other major organization, the TTC faces a challenge in preparing for the Year 2000 computer problem. The TTC is handling this as it does every other problem. We have a detailed plan, have assembled the needed resources and are progressing towards Y2K readiness.

The TTC's high operating-cost-recovery from the farebox continues steady at 80 per cent. Finding a stable, secure revenue source for covering the remaining 20 per cent of operating costs remains a key concern, along with maintaining the momentum of our state-of-good-repair program.

Other highlights this year include:

- increasing ridership to 388.7 million in 1998, from 379.9 million in 1997;
- increasing Metropass Discount Plan sales to 25,700 at year-end 1998, from 13,700 at the end of 1997;
- breaking ground for the Queens Quay streetcar connection to Exhibition Place;
- going on-line with the TTC's first official web site at [www.city.toronto.on.ca](http://www.city.toronto.on.ca);
- ordering an additional 156 T1 subway cars;
- breaking ground near Yonge Street for a major milestone in the Sheppard Subway construction; and
- a ground-breaking ceremony for the new Comstock bus garage, which is scheduled to open in 2001, to replace the Eglinton and Danforth garages.

I would like to thank my fellow Commissioners for their hard work and dedicated service: Vice-Chair Rob Davis and Commissioners Brian Ashton, Blake Kinahan, Chris Korwin-Kuczynski, Joe Mihevc and David Miller.

And, of course, a key reason that Toronto has one of the finest transit systems in the world is the outstanding contribution of its staff. They are truly a credit to the City.



Howard Moscoe  
Chair

Consolidated Financial Statements of

**TORONTO TRANSIT COMMISSION**

Year ended December 31, 1998

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## AUDITORS' REPORT

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To the Chair and Members of the  
**Toronto Transit Commission**

We have audited the consolidated balance sheet of the **Toronto Transit Commission** as at December 31, 1998 and the consolidated statement of operations, accumulated equity, and cashflows 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 consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1998 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 preceding year were audited by other auditors, who expressed an opinion without reservation on those statements in their report dated April 2, 1998.

*Ernst + Young LLP*

Kitchener, Canada,  
April 9 1999.

Chartered Accountants

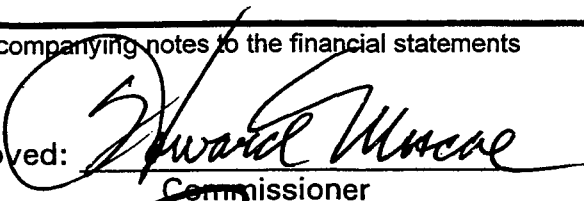
# TORONTO TRANSIT COMMISSION

## Consolidated Balance Sheets As at December 31

	1998	1997
	(\$000s)	(\$000s)
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term investments	13,051	17,850
Accounts receivable		
The City of Toronto (note 6)	143,322	112,557
Other	9,951	14,380
Spare parts and supplies inventory	52,389	44,678
Prepaid expenses	2,372	3,513
	221,085	192,978
<b>Long-term</b>		
Net capital assets (note 7)	2,709,217	2,225,990
	2,930,302	2,418,968
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	178,517	157,687
Deferred passenger revenue	23,510	21,090
Unsettled accident claims (note 8)	11,970	10,050
Employee benefits (note 10)	8,230	7,423
	222,227	196,250
<b>Long-term</b>		
Net capital contributions (note 11)	2,592,469	2,108,992
Employee benefits (note 10)	52,845	48,862
Unsettled accident claims (note 8)	24,030	23,250
Environmental and legal liabilities	5,068	8,150
	2,896,639	2,385,504
<b>Accumulated equity</b>	33,663	33,464
	2,930,302	2,418,968

See accompanying notes to the financial statements

Approved:

  
Commissioner

  
Commissioner



# TORONTO TRANSIT COMMISSION

Consolidated Statements of Operations and Accumulated Equity  
Years ended December 31

	1998	1997
	(\$000s)	(\$000s)
<b>REVENUE</b>		
Passenger services	541,416	530,400
Property rental	14,115	21,274
Advertising	8,483	8,002
Miscellaneous	6,218	5,642
<b>Total revenue</b>	<b>570,232</b>	<b>565,318</b>
<b>EXPENSES</b>		
Wages, salaries and benefits	547,119	549,045
Materials, services and supplies	104,128	104,645
Depreciation	64,506	38,535
Amortization of capital contributions	(47,539)	(23,423)
Vehicle fuel	24,677	24,626
Electric traction power	23,205	23,224
Accident claims	13,161	13,055
Property taxes	9,225	9,110
Wheel-Trans contract services	6,628	5,557
<b>Total expenses</b>	<b>745,110</b>	<b>744,374</b>
<b>Net operating costs before capitalized costs</b>	<b>174,878</b>	<b>179,056</b>
Capitalized costs (note 12)	8,837	-
<b>Net operating costs</b>	<b>183,715</b>	<b>179,056</b>
<b>Operating subsidies</b>		
City of Toronto	183,914	98,301
Province of Ontario	-	95,733
<b>Net operating surplus</b>	<b>199</b>	<b>14,978</b>
Accumulated equity, beginning of year	33,464	18,486
<b>Accumulated equity, end of year</b>	<b>33,663</b>	<b>33,464</b>

See accompanying notes to the financial statements

# TORONTO TRANSIT COMMISSION

Consolidated Statements of Cash Flow  
Years ended December 31

	1998	1997
	(\$000s)	(\$000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from passenger services	543,836	527,680
Cash paid to employees	(542,329)	(539,126)
Cash paid to suppliers	(187,450)	(189,103)
Cash paid for accident claims	(10,461)	(12,255)
Other cash received	33,245	28,606
<b>Net cash used in operating activities</b>	<b>(163,159)</b>	<b>(184,198)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital asset acquisitions (net of disposals)	(547,733)	(379,240)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Operating subsidies - conventional transit system		
Received for operating costs	138,912	158,909
Received for capital assets	7,437	-
Operating subsidies - Wheel-Trans system		
Received for operating costs	36,165	35,125
Received for capital assets	1,400	-
Capital subsidies received	522,179	364,917
<b>Cash provided by financing activities</b>	<b>706,093</b>	<b>558,951</b>
Decrease in cash and short-term investments during year	(4,799)	(4,487)
Cash and short-term investments, beginning of year	17,850	22,337
<b>Cash and short-term investments, end of year</b> (note 13)	<b>13,051</b>	<b>17,850</b>

See accompanying notes to the financial statements



# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements

Year ended December 31, 1998

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## 1. NATURE OF OPERATIONS

The Toronto Transit Commission (the "Commission") was established on January 1, 1954 to provide conventional transit service for the municipalities now comprising the City of Toronto ("City"). On January 1, 1998, the provincial City of Toronto Act, 1997 amalgamated the Municipality of Metropolitan Toronto ("Metro") and the six municipalities within Metro. The Act provided that all the assets and liabilities of the old municipalities, as at December 31, 1997, were vested in and became the assets and liabilities of the new City on January 1, 1998. The Commission continues to function as one of the agencies, boards and commissions of the new City and is dependent on the City for both operating and capital subsidies. The Commission also operates Wheel-Trans, a transit service for people with disabilities, which is also subsidized by the City (notes 4 and 5). The Commission is not subject to income and capital taxes and receives exemption from certain property taxes.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Presentation

These consolidated financial statements are prepared in accordance with generally accepted accounting principles for profit oriented organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting and Auditing Board.

### (b) Consolidation

The consolidated financial statements include the operations of Wheel-Trans and the financial statements of the Commission's subsidiaries, Toronto Transit Consultants Limited ("TTCL") and Toronto Coach Terminal Inc. ("TCTI") and TCTI's subsidiary, TTC Insurance Company Limited (the "Insurance Co.").

### (c) Measurement Uncertainty

Certain items recognized in the consolidated financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Commission's best information and judgement. Such amounts are not expected to change materially in the near term.

- The amounts recorded as deferred revenue are based on estimates of the outstanding fare media currently held by the general public.
- The recognized amounts of potential environmental and legal liabilities depend on estimates of the magnitude and probability of future costs.
- The employee benefits liabilities and related costs charged to the statement of operations depend on certain actuarial and economic assumptions.

### (d) Subsidies

Operating subsidies are recognized in the period that net operating costs are incurred. Capital contributions, which are subsidies received for capital asset additions, are deferred and amortized on the same basis as the related capital assets. Operating subsidies are also provided for certain costs which the Commission records as capital assets. These subsidies are transferred from the statement of operations, by charging capitalized costs, and are recorded as capital contributions on the balance sheet.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 1998

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(e) **Passenger Revenue**

Revenue is recognized when cash, tickets and tokens are used by the passenger. An estimate of tickets and tokens sold, which will be used after the year end, is included in deferred passenger revenue.

Revenue from passes is recognized in the period in which the passes are valid. An estimated value of passes sold, but only valid after year-end, is included in deferred passenger revenue.

(f) **Short-term Investments**

Short-term investments consist of money market instruments, such as Treasury bills and bankers' acceptances, which are readily cashable on short notice. The investments are made by the City, on behalf of the Commission.

(g) **Spare Parts and Supplies Inventory**

Spare parts and supplies are valued at weighted average cost, net of allowance for obsolete and excess inventory.

(h) **Capital Assets and Depreciation**

Capital assets are recorded at cost. 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	8-18
Buildings	12-40
Other equipment	3-25
Trackwork	10-25
Power distribution system	25-30

Land purchased directly by the City, for the Commission's use, is accounted for in the City's records.

(i) **Unsettled Accident Claims**

The Commission has a self-insurance program for automobile and general liability claims. When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the Commission. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported and for internal and external adjustment expenses.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 1998

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**(j) Employee Benefits**

The employee benefits liabilities primarily consist of supplementary pension and post-retirement medical benefits ("post-retirement benefits") and self-insured long-term disability and Workplace Safety and Insurance Board benefits ("post-employment benefits").

The obligation for post-retirement benefits is determined as follows:

- for each pensioner, the liability is the actuarial present value of all projected future benefits; and
- for each active member, the liability is the actuarial present value of all projected future benefits, prorated by the member's past service in relation to the member's total projected service at retirement.

The obligation for post-employment benefits is recognized when it is determined that an employee is likely to receive the benefits and the amount of the future benefits can be reasonably estimated. Post-employment benefits include projected future income payments, related health benefit costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The post-retirement medical and post-employment benefit obligations also include the amortization of unrecognized accumulated liabilities arising from the adoption of the current accounting policy in fiscal 1997. Amortization is applied on a straight-line basis over the expected average remaining service life of the employee group covered by each plan.

**(k) Environmental Provision**

The Commission includes in its liabilities a provision for the cost of compliance with environmental legislation. Those costs that can be reasonably determined have been accrued.

### 3. FINANCIAL INSTRUMENTS

The main categories of financial instruments held by the Commission are cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, unsettled accident claims, and employee benefits. With respect to those working capital items mentioned above, their fair values approximate their book values.

The fair value of the Commission's liability for unsettled accident claims approximates its actuarially determined discounted value. This amount is equal to the book value of \$36 million (1997 - \$33.3 million). The fair value of the Commission's employee benefits liabilities approximate their book values, calculated as the discounted value of future payments for known claims and estimates of claims incurred-but-not-reported. The fair values of the environmental and legal liabilities approximate their undiscounted book values.

The estimates of fair values for each of the above mentioned liabilities have been calculated independently, using discount factors in the range of 4 to 8%.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 1998

## 4. OPERATING SUBSIDIES

### (a) Conventional transit

For 1998, operating subsidies totalled \$146.3 million (1997 - \$158.9 million):

	1998	1997
		(\$000s)
<b>Conventional System Operating Expenses</b>	(702,783)	(703,482)
Capital costs financed by operations	(7,437)	-
Financed from:		
TTC Revenue	563,871	559,402
City Subsidy	146,349	80,738
Provincial Subsidy	-	78,171
<b>Net Operating Surplus</b>	-	14,829

### (b) Wheel-Trans

The City undertook in its budget to provide an operating subsidy equal to the net operating costs for Wheel-Trans:

	1998	1997
		(\$000s)
<b>Wheel-Trans Operating Expenses</b>	(37,932)	(36,822)
Capital costs financed by operations	(1,400)	-
Financed from:		
TTC Revenue	1,767	1,697
City Subsidy	37,565	17,563
Provincial Subsidy	-	17,562
<b>Net Operating Surplus (Deficit)</b>	-	-

## 5. CAPITAL SUBSIDIES

### (a) Conventional transit

Until 1996, the Commission received a 100% subsidy from Metro for subway, light-rail additions and improvements and certain other capital works projects. Metro then recovered 75% of the subsidy from the Province. The Commission also received a 75% subsidy from Metro for most of its other capital asset additions. Metro in turn recovered the subsidy from the Province.

On October 4, 1996, the TTC Capital Subsidy Agreement was executed between the Province, Metro and the Commission. The Agreement established the subsidy rates and rules governing the provincial share of capital contributions for the period January 1, 1996 to December 31, 2000. While the Commission continued to receive a 100% subsidy from Metro for most capital projects, Metro was required to contribute a larger portion of the subsidy. In general, projects committed at the time of the agreement continued to receive a 75% subsidy from the Province. New projects received a reduced provincial subsidy of 50%. Metro recovered these subsidies from the Province and was required to contribute the remainder.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 1998

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On March 31, 1998, the Province advised the City and the Commission that it planned to settle in 1998 its long-term obligation under the TTC Capital Subsidy Agreement. On June 17, 1998, the Commission approved entering into an agreement with the Province that released the Province from its commitments made under the TTC Capital Subsidy Agreement, in return for a lump sum payment to the City of \$829.2 million. The agreement also specified that the Province would no longer audit the Commission's subsidy claims for past years and would not be entitled to a share of the proceeds from the sale of any of the Commission's assets that had received subsidy in the past.

The Commission also approved entering into an agreement with the City, which established two reserve funds, one for the purpose of funding the Sheppard Subway and the other for the purpose of funding the Commission's base capital program. The City assumed full responsibility for managing the funds and guaranteed the total amount of funding that would be available from the funds.

**(b) Wheel-Trans**

The Commission received a 100% subsidy from the City for capital expenditures incurred by Wheel-Trans.

## 6. RECEIVABLE FROM THE CITY OF TORONTO

The accounts receivable from the City primarily consist of subsidy billings. The receivable also reflects the netting of certain accounts payable to the City, including a loan due on demand, with accrued interest at prime. The book value of the loan is \$5.6 million (1997-\$5.3 million).

To simplify the reconciliation of the Commission's accounts to those of the City, the receivable from the City is offset by the Commission's payable to the City.

## 7. NET CAPITAL ASSETS

The net capital assets of the Commission are as follows:

	1998	1997
		(\$000s)
Subway	1,029,706	883,611
Rolling stock	999,282	784,829
Construction in progress	889,361	838,562
Buses	435,607	377,259
Buildings	288,101	272,289
Other equipment	272,017	252,410
Trackwork	243,034	217,396
Power distribution system	102,505	96,102
Land	13,136	13,136
	4,272,749	3,735,594
Less accumulated depreciation	1,563,532	1,509,604
Net capital assets	2,709,217	2,225,990



# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 1998

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## 8. UNSETTLED ACCIDENT CLAIMS

The Insurance Co. was established in 1994 in order to provide insurance coverage for compulsory automobile personal injury and accident benefit claims for the Commission. The Commission has purchased insurance to cover claims in excess of \$5 million on any one accident.

The Commission processes all the claims payments on behalf of the Insurance Co.. At December 31, 1998 \$25.4 million (1997 - \$25.1 million) of the unsettled accident claims liability is related to the Insurance Co.'s payable for all automobile claims incurred. This payable is covered by an indemnity agreement between the Commission and Insurance Co. and is guaranteed by the City.

## 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"), a separate legal entity. The Society provides pensions to members based on the length of service and average base year (pensionable) earnings. The base years, as defined in the plan, 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 (\$36,900 for 1998). The members and the Commission then contribute 7.85% of covered earnings in excess of this amount. The contributions by the Commission amounted to \$30.7 million in 1998 (1997 - \$31.0 million).

Based on the latest actuarial reports as at January 1, 1998 and January 1, 1997, the Society's records indicated the following:

	Jan 1/98	Jan 1/97
		(\$000s)
Actuarial value of assets	1,867,196	1,646,202
Pension obligations	1,840,558	1,706,935
Funding excess/(Unfunded actuarial liability)	26,638	(60,733)

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.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 1998

## 10. EMPLOYEE BENEFITS

The employee benefits provisions of the Commission are as follows:

	1998	1997
		(\$000s)
Employment benefits	2,000	1,615
Supplementary pension benefits	2,005	1,775
Post-retirement medical benefits	2,200	1,000
Long-term disability benefits	25,000	24,370
Workplace Safety & Insurance Board benefits	29,870	27,525
	61,075	56,285
Less employee benefits - current portion	8,230	7,423
Employee benefits - long-term portion	52,845	48,862

### (a) Employment benefits

The Commission provides a self-insured medical and dental benefits plan for its current employees. At year-end, an accrual is made for estimated medical and dental costs incurred, but not yet claimed by the employees.

### (b) Supplementary pension benefits

The supplementary pension benefits are based on individually negotiated agreements between the Commission and specific executives. The agreements are designed to pay these executives, upon retirement, the difference between their earned pensions under the by-laws of the Pension Fund Society and the maximum allowable pension under the Income Tax Act. The actuarial present value of these liabilities are determined using a discount rate of 6.5%.

### (c) Post-retirement medical benefits

The commission provides limited medical benefits to all employees who retire and are eligible for a pension.

The actuarial present value of the post-retirement medical benefits at December 31, 1998 is \$13.2 million (1997 - \$13 million).

In fiscal 1997 the Commission changed its method of accounting for post-retirement benefits from expensing costs when paid, to accruing future benefits when employees have provided services. The change in accounting policy gave rise to an unrecognized accumulated liability equal to the actuarial present value of post-retirement medical benefits at December 31, 1997. This amount is being amortized over the expected average remaining service life of pension plan members, 13 years, commencing in fiscal 1997. The remaining unrecognized accumulated liability at year end is \$11 million (1997 - \$12 million).

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 1998

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**(d) Post-employment benefits**

The Commission provides self-insured long-term disability benefits, administered by an independent insurance carrier. As a Schedule 2 employer under the Workplace Safety and Insurance Act (Workers' Compensation Act, prior to January 1, 1998), the Commission assumes responsibility for financing the workplace safety insurance costs of its workers.

The estimated present value of post-employment benefits at December 31, 1998 are \$27.1 million (1997 - 26.8 million) for the long-term disability plan and \$40.7 million (1997 - \$39.4 million) for the Workplace Safety and Insurance Board plan.

In fiscal 1997, the Commission changed its accounting policy for recognizing post-employment benefits. The difference between the present value of the full costs of these benefits under the new policy and the amounts accrued in the accounts of the Commission at December 31, 1997 were determined to be unrecognized accumulated liabilities. These amounts are being amortized on a straight line basis over the expected average remaining service life of the plans' members, 13 years, commencing in fiscal 1997. The remaining unrecognized accumulated liabilities at year end are \$2.2 million (1997- \$2.4 million) for the long-term disability plan and \$10.8 million (1997 - \$11.8 million) for the Workplace Safety and Insurance Board Plan.

The discount rates used in determining the present value of projected future post-retirement and post-employment benefits, range from 5 to 8%.

**11. NET CAPITAL CONTRIBUTIONS**

The net capital contributions of the Commission are as follows:

	1998	1997
		(\$000s)
Capital contributions	3,951,847	3,420,831
Less accumulated amortization	1,359,378	1,311,839
Net capital contributions	2,592,469	2,108,992

**12. CAPITALIZED COSTS**

Capitalized costs consist of costs related to rebuilding 18-year-old buses at the end of their useful lives, rail replacement on the Queensway streetcar line and the replacement of Wheel-Trans Orion II buses.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 1998

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## 13. CASH AND SHORT-TERM INVESTMENTS

Cash consists of bank balances and cash in employees' hands. Cash and short-term investments included in the statements of cash flows comprise the following balance sheet amounts:

	1998	1997
		(\$000s)
Cash	10,218	15,014
Short-term investments	2,833	2,836
Total cash and short-term investments	13,051	17,850

## 14. COMMITMENTS AND CONTINGENCIES

- (a) In the normal course of its operations, the Commission and its subsidiaries are subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts.
- (b) The Commission is committed to purchase 372 subway cars, at a total estimated contract cost of \$861 million. At December 31, 1998 progress payments of \$534 million have been made and the Commission has accepted delivery of 160 cars.
- (c) The Commission has contracts for the construction of various capital projects. At December 31, 1998 these contractual commitments are approximately \$400 million.
- (d) The Commission is committed to purchase 104 clean diesel buses (52 low floor and 52 lift equipped), at a total estimated contract cost of \$43 million. At December 31, 1998 progress payments of \$20 million have been made and 52 lift equipped and 2 low floor diesel buses have been received.
- (e) In 1998, the Commission entered into an agreement to purchase 127 Wheel-Trans buses, at a total estimated contract cost of \$27 million. At December 31, 1998 progress payments of \$2.8 million have been incurred but no vehicles have yet been delivered.
- (f) The Commission leases certain premises under operating lease agreements. The future minimum lease commitments are as follows:

1999	6,000,000
2000	5,400,000
2001	4,500,000
2002	4,300,000
2003	4,300,000
thereafter	10,500,000

# **TORONTO TRANSIT COMMISSION**

Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 1998

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## **15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE**

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect an entity's ability to conduct normal business operations. The Company has an active program in place to address these issues. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

## **16. COMPARATIVES**

Certain comparative figures have been reclassified to conform with the presentation adopted in 1998.

**SUPPLEMENTARY SCHEDULE**

**TORONTO TRANSIT COMMISSION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
YEAR ENDED DECEMBER 31, 1998

\$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT CONSULTANTS LTD (TTCL)
<b>STATEMENT OF OPERATIONS</b>			
<b>REVENUE</b>			
Passenger services	(539,649)	(1,767)	-
Property rental	(12,843)	-	-
Advertising	(8,483)	-	-
Miscellaneous	(2,896)	-	(13)
<b>Total revenue</b>	<b>(563,871)</b>	<b>(1,767)</b>	<b>(13)</b>
<b>EXPENSES</b>			
Wages, salaries and benefits	520,991	23,528	-
Materials, services and supplies	96,784	6,466	-
Depreciation	64,077	-	-
Amortization of capital contributions	(47,539)	-	-
Vehicle fuel	23,390	1,287	-
Electric traction power	23,205	-	-
Accident Claims	13,138	23	-
Property taxes	8,737	-	-
Wheel-Trans contract services	-	6,628	-
Interest expense net	-	-	-
Income tax	-	-	7
<b>Total expenses</b>	<b>702,783</b>	<b>37,932</b>	<b>7</b>
Net operating costs (income)	138,912	36,165	(6)
Capitalized costs	7,437	1,400	-
<b>Operating subsidies</b>	<b>(146,349)</b>	<b>(37,565)</b>	<b>-</b>
Net operating surplus	-	-	(6)
Accumulated (equity) deficit, beginning of year	(33,581)	-	(157)
Accumulated (equity) deficit, end of year	(33,581)	-	(163)
Operating Subsidies (as above)	146,349	37,565	-
City Special Costs (not on TTC financial statements)	1,930	-	-
<b>Total City Operating Subsidy (not on TTC financial statements)</b>	<b>148,279</b>	<b>37,565</b>	<b>-</b>
<b>BALANCE SHEET</b>			
<b>Current Assets</b>			
Cash and short-term investments	9,116	-	268
Accounts receivable			
The City of Toronto	143,322	-	-
Other	10,921	-	2
Spare parts and supplies inventory	52,389	-	-
Indemnity receivable from the TTC	-	-	-
Prepaid expenses	2,372	-	-
	218,120	-	270
<b>Long-term Assets</b>			
Investment in subsidiary	10,000	-	-
<b>Net capital assets</b>	<b>2,699,839</b>	<b>-</b>	<b>-</b>
	2,927,959	-	270
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(177,341)	-	-
Deferred passenger revenue	(23,510)	-	-
Unsettled accident claims	(11,920)	-	-
Employee benefits	(8,230)	-	-
Income taxes payable	-	-	(7)
Due to parent	-	-	-
	(221,001)	-	(7)
<b>Long-term Liabilities</b>			
Net capital contributions	(2,592,469)	-	-
Employee benefits	(52,845)	-	-
Advances from parent	-	-	-
Unsettled accident claims	(23,980)	-	-
Other	(4,083)	-	-
	(2,894,378)	-	(7)
Capital Stock	-	-	(100)
Accumulated equity	(33,581)	-	(163)
	(2,927,959)	-	(270)

TORONTO COACH TERMINAL INC. (TCTI)	TTC INSURANCE COMPANY LTD (TTCIC)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
-	-	(541,416)	-	(541,416)
(1,272)	-	(14,115)	-	(14,115)
-	-	(8,483)	-	(8,483)
(4,219)	(41)	(7,169)	951	(6,218)
(5,491)	(41)	(571,183)	951	(570,232)
2,600	-	547,119	-	547,119
802	41	104,093	35	104,128
429	-	64,506	-	64,506
-	-	(47,539)	-	(47,539)
-	-	24,677	-	24,677
-	-	23,205	-	23,205
-	-	13,161	-	13,161
488	-	9,225	-	9,225
-	-	6,628	-	6,628
951	-	951	(951)	-
28	-	35	(35)	-
5,298	41	746,061	(951)	745,110
(193)	-	174,878	-	174,878
-	-	8,837	-	8,837
-	-	(183,914)	-	(183,914)
(193)	-	(199)	-	(199)
6,771	-	(26,967)	(6,497)	(33,464)
6,578	-	(27,166)	(6,497)	(33,663)
-	-	183,914	-	-
-	-	1,930	-	-
-	-	185,844	-	-
2,767	900	13,051	-	13,051
-	-	143,322	-	143,322
94	-	11,017	(1,066)	9,951
-	-	52,389	-	52,389
-	25,423	25,423	(25,423)	-
-	-	2,372	-	2,372
2,861	26,323	247,574	(26,489)	221,085
900	-	10,900	(10,900)	-
9,378	-	2,709,217	-	2,709,217
13,139	26,323	2,967,691	(37,389)	2,930,302
(1,100)	-	(178,441)	(76)	(178,517)
-	-	(23,510)	-	(23,510)
(50)	(25,423)	(37,393)	25,423	(11,970)
-	-	(8,230)	-	(8,230)
(69)	-	(76)	76	-
(388)	-	(388)	388	-
(1,607)	(25,423)	(248,038)	25,811	(222,227)
-	-	(2,592,469)	-	(2,592,469)
-	-	(52,845)	-	(52,845)
(16,075)	(800)	(16,875)	16,875	0
(50)	-	(24,030)	-	(24,030)
(985)	-	(5,068)	-	(5,068)
(18,717)	(26,223)	(2,939,325)	42,686	(2,896,639)
(1,000)	(100)	(1,200)	1,200	-
6,578	-	(27,166)	(6,497)	(33,663)
(13,139)	(26,323)	(2,967,691)	37,389	(2,930,302)





## Salary Disclosure - 1998

The Public Sector Salary Disclosure Act, 1996 requires the disclosure in the annual report of the salary and benefits of employees in the public sector who are paid a salary of \$100,000 or more in a year. The following is a list of those employees for the year 1998:

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Warren H. Bartram	General Supt. - Track & Structure	113,847	3,202
Robert A. Boutilier	General Supt. - Bus Maint. & Shops	117,180	555
Robert J. Brent	Chief Marketing Officer	105,517	3,202
William D. Brown	Manager - Vehicle Engineering	105,517	3,202
John D. Cannell	Manager - Pension Fund Society	105,517	3,202
Allen J. Chocorlan	Manager - Materials and Procurement	105,517	3,202
Rick Cornacchia	Deputy General Manager - Surface Ops	120,222	7,558
William Crosbie	General Supt. - Subway Transportation	103,172	3,202
Kathryn Dean	Manager - Training	105,517	3,202
Dave Dixon	General Supt. - Streetcars	103,899	3,202
Lori Findleton	Manager - Human Resources	105,517	3,202
William G. Frost	Manager - Support Services	105,517	3,202
David L. Gunn	Chief General Manager	153,014	13,731
David W. R. Hammond	General Counsel	117,180	3,202
Lynn I. Hilborn	Deputy General Manager - Corporate	122,430	7,558
Brian M. Leck	Associate General Counsel	105,517	3,202
Don Leger	General Supt. - Plant Maintenance	103,172	3,202
Ronald D. McLaughlin	Chief of Staff - Office of the Premier *	132,857	25
Paul Millett	General Supt. - Rail Cars & Shops	103,091	3,202
James H. Ralston	General Supt. - Bus Transportation	113,847	3,202
Winston Rhule	Janitor - Plant Maintenance **	117,336	25
Vincent Rodo	General Secretary/Gen. Manager - Exec.	123,128	13,756
John A. Sepulis	General Manager - Engr. & Construction	113,894	12,877
Bud L. Simpson	Deputy General Manager - Subway Ops.	124,893	7,558
Robert J. Thacker	General Supt. - Wheel-Trans	117,180	3,202
Gary M. Webster	General Manager - Operations	126,959	13,756

\* R.D.McLaughlin, Chief of Staff - Office of the Premier, is seconded to the Office of the Premier. All salaries and benefits are paid for by the Office of the Premier.

\*\* W.Rhule, Janitor - Plant Maintenance, received a wage settlement in 1998 covering the period October 16, 1995 to February 15, 1998.

**TORONTO TRANSIT COMMISSION**  
**Conventional System**  
**10-Year Non-consolidated Financial and Operating Statistics**

	1998	1997	1996
<b>OPERATING STATISTICS</b>			
(regular service inside Metro)			
Passenger Trips (Millions)	388.7	379.9	372.4
Basic Adult Ticket Fare (at December 31) (\$)	1.60	1.60	1.60
Average Number of Employees (including TCTI)	9,462	9,133	9,129
Average Hourly Wages & Benefits per Operator (\$)	29.06	28.99	29.72
Kilometres Operated (Millions)			
Bus	94.5	93.7	93.7
Subway Car	67.6	65.5	63.9
Streetcar	12.1	10.6	10.9
Trolley Coach	0.0	0.0	0.0
Scarborough RT	4.1	3.7	3.6
Total Kilometres Operated	178.3	173.5	172.1
<b>OPERATING REVENUE STATISTICS</b>			
Operating Revenue - including property rental, etc. (\$ Millions)	563.9	559.4	514.8
Operating Revenue per Passenger Trip (\$)	1.45	1.47	1.38
Operating Revenue per Kilometre (\$)	3.16	3.22	2.99
<b>OPERATING EXPENSE STATISTICS</b>			
Operating Expenses (\$ Millions)	702.8	703.5	684.0
Operating Expense per Passenger Trip (\$)	1.81	1.85	1.84
Operating Expense per Kilometre (\$)	3.94	4.05	3.97
<b>OPERATING SUBSIDY STATISTICS</b>			
Operating Subsidy (\$ Millions)	146.3 <sup>7</sup>	158.9 <sup>6</sup>	169.2 <sup>5</sup>
Operating Subsidy per Passenger Trip (\$)	0.38	0.42	0.45
Operating Subsidy per Kilometre (\$)	0.82	0.92	0.98
<b>REVENUE/COST RATIO</b>	80.2% <sup>8</sup>	80.4%	75.7%
<b>CAPITAL ASSETS (Conventional &amp; Wheel-Trans)</b>			
Investment in Capital Assets at December 31 (\$ Millions)			
Gross Investment (before contributions & depreciation)	4,258.4	3,721.2	3,353.6
City & Provincial Contributions	(3,951.8)	(3,420.8)	(3,055.9)
TTC Investment (before depreciation)	306.6	300.4	297.7
<b>PASSENGER VEHICLE FLEET</b>			
(Conventional & Wheel-Trans, owned or leased and in service December 31)			
Buses	1,498	1,468	1,525
Subway Cars	638	620	640
Streetcars	248	248	248
Trolley Coaches	0	0	0
Scarborough RT Cars	28	28	28
Wheel-Trans Buses	140	140	140
Total Vehicle Fleet	2,552	2,504	2,581

**Notes:**

1. 1991 revenue did not include a \$48 million dividend from Metropolitan Toronto Coach Terminal Inc..
2. 1992 and 1993 revenue did not include draws from the Transit Improvement Reserve Fund.
3. The lower average hourly wages & benefits for Operators in 1994 and 1995 related to the Social Contract savings.
4. The 1995 Metro subsidy of \$110.0 million included \$10.2 million from the Transit Improvement Reserve Fund and \$7.5 million from the Metro Contingency Account.
5. 1996 net operating costs were partially funded by \$6.4 million from the Commission's accumulated equity, while the Metro subsidy of \$79.2 million included \$2.5 million from the Metro Contingency Account.

1995	1994	1993	1992	1991	1990	1989
388.2	388.3	393.5	404.3	424.2	459.2	450.7
1.50	1.30	1.30	1.30	1.07	1.00	0.94
9,459	9,621	9,717	10,051	10,218	10,351	10,176
28.25 <sup>3</sup>	28.08 <sup>3</sup>	28.75	28.30	26.59	24.99	23.24
100.9	100.5	99.0	102.1	98.8	101.9	98.1
62.8	63.8	63.6	65.1	67.8	70.9	70.4
11.1	11.2	11.5	12.0	12.7	13.1	13.1
0.0	0.0	0.7	0.5	4.8	5.4	5.0
3.7	3.6	3.7	3.5	3.3	3.3	3.2
178.5	179.1	178.5	183.2	187.4	194.6	189.8
457.3	444.8	447.0 <sup>2</sup>	446.4 <sup>2</sup>	430.7 <sup>1</sup>	440.4	401.7
1.18	1.15	1.14	1.10	1.02	0.96	0.89
2.56	2.48	2.50	2.44	2.30	2.26	2.12
671.8	671.9	681.1	691.0	662.6	628.3	561.5
1.73	1.73	1.73	1.71	1.56	1.37	1.25
3.76	3.75	3.82	3.77	3.54	3.23	2.96
214.6 <sup>4</sup>	207.1	234.1	244.6	231.9	187.9	159.8
0.55	0.53	0.60	0.61	0.55	0.41	0.36
1.20	1.16	1.31	1.34	1.24	0.97	0.84
69.3%	69.4%	65.7%	66.2%	65.3%	67.4%	69.2%
3,042.4	2,830.6	2,605.5	2,445.3	2,305.8	2,188.7	2,089.2
(2,738.8)	(2,532.9)	(2,317.0)	(2,161.5)	(2,047.7)	(1,931.5)	(1,841.2)
303.6	297.7	288.5	283.8	258.1	257.2	248.0
1,542	1,564	1,564	1,592	1,677	1,744	1,687
622	622	622	622	622	622	629
248	267	267	267	265	270	300
0	0	0	40	120	139	139
28	28	28	28	28	28	28
140	140	141	140	124	123	123
2,580	2,621	2,622	2,689	2,836	2,926	2,906

6. The 1997 annual report incorrectly stated that this amount was \$150.5 million. The amounts for operating subsidy per passenger trip and operating subsidy per kilometre have been adjusted accordingly.

7. On January 1, 1998, the City of Toronto assumed all assets & liabilities of Metro and all Provincial operating subsidies ceased. This operating subsidy amount included the operating subsidy contribution of \$7.4 million for capitalized costs, but excluded the City special costs of \$1.9 million.

8. The 1998 revenue/cost ratio was calculated as operating revenue/operating expenses. In previous years, the ratio had been determined in accordance with Provincial operating subsidy rules on eligible revenues and expenses, which, if applied in the current year, would yield a slightly higher revenue/cost ratio.

# Management Directory - 1998

## **OFFICERS AND SENIOR OFFICIALS**

**David L. Gunn**  
Chief General Manager

**Rick Cornacchia**  
Deputy General Manager  
Surface Operations

**David W. R. Hammond**  
General Counsel

**Lynn I. Hilborn**  
Deputy General Manager  
Corporate

**Vincent Rodo**  
General Secretary/  
General Manager  
Executive

**John A. Sepulis**  
General Manager  
Engineering & Construction

**Bud L. Simpson**  
Deputy General Manager  
Subway Operations

**Gary M. Webster**  
General Manager  
Operations

## **DEPARTMENT HEADS**

**Warren H. Bartram**  
General Superintendent  
Track and Structure

**Dick G. Beecroft**  
Chief Auditor

**Andy G. Bertolo**  
Chief Project Manager  
Sheppard Subway

**Robert A. Boutilier**  
General Superintendent  
Bus Maintenance & Shops

**Robert J. Brent**  
Chief Marketing Officer

**William D. Brown**  
Manager  
Vehicle Engineering

**John D. Cannell**  
Manager  
Pension Fund Society

**Allen J. Chocorlan**  
Manager  
Materials and Procurement

**William Crosbie**  
General Superintendent  
Subway Transportation

**John W. Davies**  
Chief Information Officer

**Kathryn Dean**  
Manager  
Training

**Dave Dixon**  
General Superintendent  
Streetcars

**Lori Findleton**  
Manager  
Human Resources

**William G. Frost**  
Manager  
Support Services

**Don Leger**  
General Superintendent  
Plant Maintenance

**Thomas G. Middlebrook**  
Chief Engineer

**Paul Millett**  
General Superintendent  
Rail Cars and Shops

**John O'Grady**  
Manager  
Safety

**Tony Pereira**  
General Superintendent  
(Acting)  
Signals/Electrical/  
Communications

**James H. Ralston**  
General Superintendent  
Bus Transportation

**Michael A. Roche**  
Chief Financial Officer

**I. Mitchell Stambler**  
Manager  
Service Planning

**Robert J. Thacker**  
General Superintendent  
Wheel-Trans

**Graham H. Tulett**  
Superintendent  
Property Management

**Michael J. Walker**  
Chief Security Officer

## **SUBSIDIARY COMPANIES**

Toronto Coach Terminal  
Inc.

**David L. Gunn**  
President

Toronto Transit Consultants  
Limited  
**Vincent Rodo**  
Treasurer

TTC Insurance Company  
Limited

**Vincent Rodo**  
President

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