

ANNUAL REPORT

1999



TORONTO TRANSIT COMMISSION

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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, 2000

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

The 1999 Annual Report is presented on behalf of the Commissioners and employees of the Toronto Transit Commission (the "TTC").

For the TTC, 1999 was a demanding mix of challenge, opportunity and achievement.

The first challenge came immediately in the New Year, when the city was buried under 87 centimetres of snow. Although our snow clearance equipment performed admirably, we realized we needed more to be better prepared in the future. By year-end, four additional snow blowers were on hand and two more were to be delivered in the new year.

In April, the TTC was shut down by a two-day strike. To our employees' credit, service was restored to our passengers within hours of reaching an agreement.

In May and June, many of our fares were raised by ten cents, the first increase in three years. The decision reflects the reality of how the TTC is funded. No other public transit system in North America pays 80 per cent of its operating cost through its farebox.

David L. Gunn, Chief General Manager since 1995, retired in April, leaving the TTC in a state of very good repair. As a legacy, he has left an organization capable of ensuring the TTC continues to meet the highest transit standards. The whole city has benefited from his presence at the TTC. We all thank him.

Richard C. Ducharme, Managing Director of GO Transit, joined the TTC in September as Chief General Manager. Rick's experience, his vision of growth and service, will continue to keep the TTC in the forefront of public transit throughout the Greater Toronto Area. We are fortunate to have him at the helm.

1999 saw the TTC continue to expand. In February, we broke ground on the new Queens Quay streetcar line that will connect Union Station with Exhibition Place. In April, construction began on the new Transit Control Centre, a state-of-the-art centre opening in 2002. Construction continued on the Sheppard line, which is also scheduled to open in 2002. All year long we worked aggressively to prevent any Y2K trouble and we rolled over into the New Year with all systems go.

The TTC also enjoyed a leadership role in the world-wide transit community as a co-host of the 53rd Congress of the International Union of Public Transport, the 1999 American Public Transport Commuter Rail and Rapid Transit Conferences, and the Canadian Urban Transit Association Annual Conference and National Bus Roadeo. It was the first time all three organizations had met in the same city at the same time and the first time a subway train rodeo was held in Toronto.

For their diligence and commitment during this past year, I extend my thanks to Vice Chair Rob Davis and Commissioners Brian Ashton, Blake Kinahan, Chris Korwin-Kuczynski, Joe Mihevc and David Miller.

On behalf of the Commission, I also extend thanks to the staff. Their achievements in providing courteous, safe and reliable travel throughout Toronto were key to the TTC's increased ridership and revenue. We carried 393 million people, 4 million more than last year – both on their day-to-day work trips and when they went out for a good time at the city's many celebrations. Staff can be particularly proud of their accomplishment on New Year's Eve, when they delivered hundreds of thousands of people to the waterfront festivities and home again.

As a year, 1999 is proof that the TTC is vital to Toronto's continued good health.

A handwritten signature in black ink, reading "Howard Moscoe". The signature is fluid and cursive, with a large initial "H" and a long, sweeping underline.

Howard Moscoe
Chair

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 1999

AUDITORS' REPORT

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, 1999 and the consolidated statements of operations, accumulated equity and cash flows 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 auditing standards generally accepted in Canada. 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, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Toronto, Canada,
March 30, 2000.

Chartered Accountants

TORONTO TRANSIT COMMISSION

Consolidated Balance Sheets
As at December 31

	1999 (\$000s)	1998 (\$000s)
ASSETS		
Current		
Cash and cash equivalents (note 6)	11,075	10,218
Accounts receivable		
The City of Toronto (note 7)	127,765	143,322
Other	13,627	9,951
Spare parts and supplies inventory	63,559	52,389
Prepaid expenses	2,511	2,372
	218,537	218,252
Long-term		
Long-term investments (note 8)	4,491	2,833
Net capital assets (note 9)	3,179,248	2,709,217
	3,402,276	2,930,302
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	178,266	180,517
Deferred passenger revenue	22,830	23,510
Unsettled accident claims (note 10)	10,350	11,970
Employee benefits (note 11)	7,147	6,230
	218,593	222,227
Long-term		
Net capital contributions (note 12)	3,062,011	2,592,469
Employee benefits (note 11)	60,736	52,845
Unsettled accident claims (note 10)	24,150	24,030
Environmental and legal liabilities	4,215	5,068
	3,369,705	2,896,639
Accumulated equity	32,571	33,663
	3,402,276	2,930,302

See accompanying notes to the financial statements

Approved:


Commissioner


Commissioner

TORONTO TRANSIT COMMISSION

Consolidated Statements of Operations and Accumulated Equity Years ended December 31

	1999	1998
	(\$000s)	(\$000s)
REVENUE		
Passenger services	560,642	541,416
Property rental	14,558	14,115
Advertising	8,904	8,483
Miscellaneous	7,332	6,218
Total revenue	591,436	570,232
EXPENSES		
Wages, salaries and benefits	559,654	547,119
Materials, services and supplies	101,194	104,128
Depreciation	84,891	64,506
Amortization of capital contributions	(68,610)	(47,539)
Vehicle fuel	24,761	24,677
Electric traction power	23,028	23,205
Accident claims	9,407	13,161
Property taxes	9,411	9,225
Wheel-Trans contract services	7,008	6,628
Total expenses	750,744	745,110
Net operating costs before capitalized costs	159,308	174,878
Capitalized costs (note 13)	19,594	8,837
Net operating costs	178,902	183,715
Operating subsidies from the City of Toronto	177,810	183,914
Net operating (deficit)/surplus	(1,092)	199
Accumulated equity, beginning of year	33,663	33,464
Accumulated equity, end of year	32,571	33,663

See accompanying notes to the financial statements

TORONTO TRANSIT COMMISSION

Consolidated Statements of Cash Flow Years ended December 31

	1999	1998
	(\$000s)	(\$000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	559,962	543,836
Cash paid to employees	(552,846)	(542,329)
Cash paid to suppliers	(163,247)	(187,450)
Cash paid for accident claims	(10,907)	(10,461)
Other cash received	26,449	33,245
Net cash used in operating activities	(140,589)	(163,159)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset acquisitions (net of disposals)	(554,922)	(547,733)
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating subsidies - conventional transit system		
Received for operating costs	121,537	138,912
Received for capital assets	17,794	7,437
Operating subsidies - Wheel-Trans system		
Received for operating costs	36,679	36,165
Received for capital assets	1,800	1,400
Capital subsidies received	518,558	522,179
Cash provided by financing activities	696,368	706,093
Increase/(Decrease) in cash and short-term investments during year	857	(4,799)
Cash and cash equivalents, beginning of year	10,218	15,017
Cash and cash equivalents, end of year (note 6)	11,075	10,218

See accompanying notes to the financial statements

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements

Year ended December 31, 1999

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 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 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."). Long-term investments in companies in which the Commission does not have significant influence over management are carried at the lower of cost or market.

(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 that 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, 1999

(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) Cash Equivalents

Cash equivalents consist of money market instruments, such as bonds, Treasury bills and bankers' acceptances, which are readily cashable on short notice. Certain of these 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, 1999

(j) Employee Benefit Plans

The Commission has adopted the following policies:

- the Commission's contributions to a multi-employer, defined benefit/defined contribution pension plan are expensed when contributions are made;
- the costs of supplemental pension and post-retirement medical benefits earned by employees are actuarially determined using the projected benefits method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs; accrued obligations and related costs are net of plan assets;
- the costs of post-employment benefits are recognized when the event that obligates the Commission occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- for the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- unrecognized accumulated liabilities arising from a change in accounting policy are amortized on a straight-line basis over the expected average remaining service life of the employee group covered by the benefit 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 cash equivalents, accounts receivable, long-term investments, 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 \$34.5 million (1998 - \$36 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, 1999

4. OPERATING SUBSIDIES

(a) Conventional transit

For 1999, operating subsidies totalled \$142.3 million (1998 - \$146.3 million):

	1999	1998
		(\$000s)
Conventional System Operating Expenses	(706,781)	(702,783)
Capital costs financed by operations	(17,794)	(7,437)
Financed from:		
TTC Revenue	585,244	563,871
City Subsidy	139,331	146,349
Net Operating Surplus (Deficit)	-	-

(b) Wheel-Trans

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

	1999	1998
		(\$000s)
Wheel-Trans Operating Expenses	(38,467)	(37,932)
Capital costs financed by operations	(1,800)	(1,400)
Financed from:		
TTC Revenue	1,788	1,767
City Subsidy	38,479	37,565
Net Operating Surplus (Deficit)	-	-

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.

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

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 1999

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 'State of Good Repair' program. The opening balances for these funds in 1998 were \$357.4 million for the Sheppard Subway Project Reserve Fund and \$471.8 million for the Capital Subsidy Reserve Fund. The City assumed full responsibility for managing the funds and guaranteed the total amount of funding that would be available from the funds. At December 31, 1999, the Capital Subsidy Reserve Fund was fully depleted.

(b) Wheel-Trans

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

6. CASH AND CASH EQUIVALENTS

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

	1999	1998
		(\$000s)
Cash	10,164	8,506
Cash equivalents	911	1,712
Total cash and cash equivalents	11,075	10,218

7. 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 \$5.9 million (1998-\$5.6 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.

8. LONG-TERM INVESTMENT

The investments consist of a municipal and a provincial bond and shares in a publicly traded company, as the result of the de-mutualization of one of our insurance carriers. At December 31, 1999, the fair value of the bonds is \$3.1 million (1998 \$3.0 million) and of the shares is \$2.1 million.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 1999

9. NET CAPITAL ASSETS

The net capital assets of the Commission are as follows:

	1999	1998
		(\$000s)
Subway	1,064,716	1,029,706
Rolling stock	1,206,149	999,282
Construction in progress	1,117,951	889,361
Buses	477,259	435,607
Buildings	306,556	288,101
Other equipment	301,509	272,017
Trackwork	266,122	243,034
Power distribution system	110,211	102,505
Land	13,136	13,136
	4,863,609	4,272,749
Less accumulated depreciation	1,684,361	1,563,532
Net capital assets	3,179,248	2,709,217

10. 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, 1999 \$25.4 million (1998 - \$25.4 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.

11. EMPLOYEE BENEFITS

The employee benefits obligations of the Commission are as follows:

	1999	1998
		(\$000s)
Post-employment benefits	61,700	54,870
Other retirement benefits	6,183	4,205
	67,883	59,075
Less employee benefits – current portion	7,147	6,230
Employee benefits – long-term portion	60,736	52,845

(a) Pension plan benefits

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

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 1999

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 (\$37,400 for 1999). The members and the Commission then contribute 7.85% of covered earnings in excess of this amount. These contributions by the Commission amounted to \$32.0 million in 1999 (1998 - \$30.7 million). In addition, the Commission contributed in 1999 \$2.1 million for an early retirement provision, which became effective January 1, 1999.

Based on the latest actuarial reports, which reflected the terms of the plan, as at January 1, 1999 and January 1, 1998, the Society's records indicated the following:

	Jan 1/99	Jan 1/98
		(\$000s)
Actuarial value of assets	2,083,781	1,876,196
Pension obligations	1,973,280	1,840,558
Funding excess	110,501	26,638

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.

(b) **Post-employment benefits**

The Commission provides self-insured long-term disability benefits, administered by an independent insurance carrier. In addition, the Commission, as a Schedule 2 employer under the Workplace Safety and Insurance Act, assumes responsibility for financing its workplace safety insurance costs.

The benefit amounts and actuarial assumptions used are as follows:

	1999	1998
		(\$000s)
Actuarial value of benefits obligation	73,550	67,910
Less: remaining unrecognized accumulated liabilities	11,850	13,040
Benefit obligation recognized	61,700	54,700
Benefit expense	13,885	10,240
Benefits paid	7,055	7,260
Discount rate	5.2%	5.2%

(c) **Other retirement benefits**

The Commission provides limited medical benefits to employees who retire with at least ten years of service.

The Commission maintains supplemental pension plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 1999

The benefit amounts and actuarial assumptions used are as follows:

	1999	1998
		(\$000s)
Funded Benefits		
Actuarial present value of obligation	1,650	-
Fair value of plan assets	1,000	-
Funded status – plan deficit	650	-
Unfunded Benefits		
Actuarial present value of obligation	15,533	15,205
	16,183	15,205
Less: remaining unrecognized accumulated liabilities	10,000	11,000
Benefit obligation recognized	6,183	4,205
Benefit expense	3,900	2,803
Benefits paid	1,541	1,373
Employer contributions to funded benefit plan	381	-
Employee contributions to funded benefit plan	86	-
Discount rate	7.6%	7.8%
Expected long-term rate of return on plan assets	3.25%	-

The unrecognized accumulated liabilities related to post-employment and other retirement benefits 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 when the change in accounting policy, giving rise to these amounts, occurred.

12. NET CAPITAL CONTRIBUTIONS

The net capital contributions of the Commission are as follows:

	1999	1998
		(\$000s)
Capital contributions	4,547,159	3,951,847
Less accumulated amortization	1,485,148	1,359,378
Net capital contributions	3,062,011	2,592,469

13. CAPITALIZED COSTS

Capitalized costs consist of costs related primarily to rebuilding 18-year-old buses at the end of their useful lives and the replacement of Wheel-Trans Orion II buses.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 1999

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 has received conflicting opinions from two separate branches of the Ontario Ministry of Finance regarding the applicability of Employer Health Tax (EHT) and Retail Sales Tax (RST) on its long-term disability plan payments. Management is currently working with outside legal counsel to assess and defend its opinion that both taxes cannot apply. The final outcome of this matter is not determinable at this time. The financial statements include a provision for payment of EHT and other associated payroll taxes. If, however, RST also applies, an additional accrual of \$3.4 million would be required at December 31, 1999.
- (c) The Commission is committed to purchase 372 subway cars, at a total estimated contract cost of \$861 million. At December 31, 1999 progress payments of \$767 million have been made and the Commission has accepted delivery of 236 cars.
- (d) The Commission has contracts for the construction of various capital projects. At December 31, 1999 these contractual commitments are approximately \$250.3 million.
- (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, 1999 progress payments of \$6.5 million have been incurred, with 23 vehicles received.
- (f) The Commission leases certain premises under operating lease agreements. The future minimum lease commitments are as follows:
- | | |
|------------|-------------|
| 2000 | \$5,600,000 |
| 2001 | 4,900,000 |
| 2002 | 5,000,000 |
| 2003 | 5,300,000 |
| 2004 | 5,500,000 |
| thereafter | 8,300,000 |

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. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Commission, including those related to customers, suppliers, or other third parties, have been fully resolved.

16. COMPARATIVES

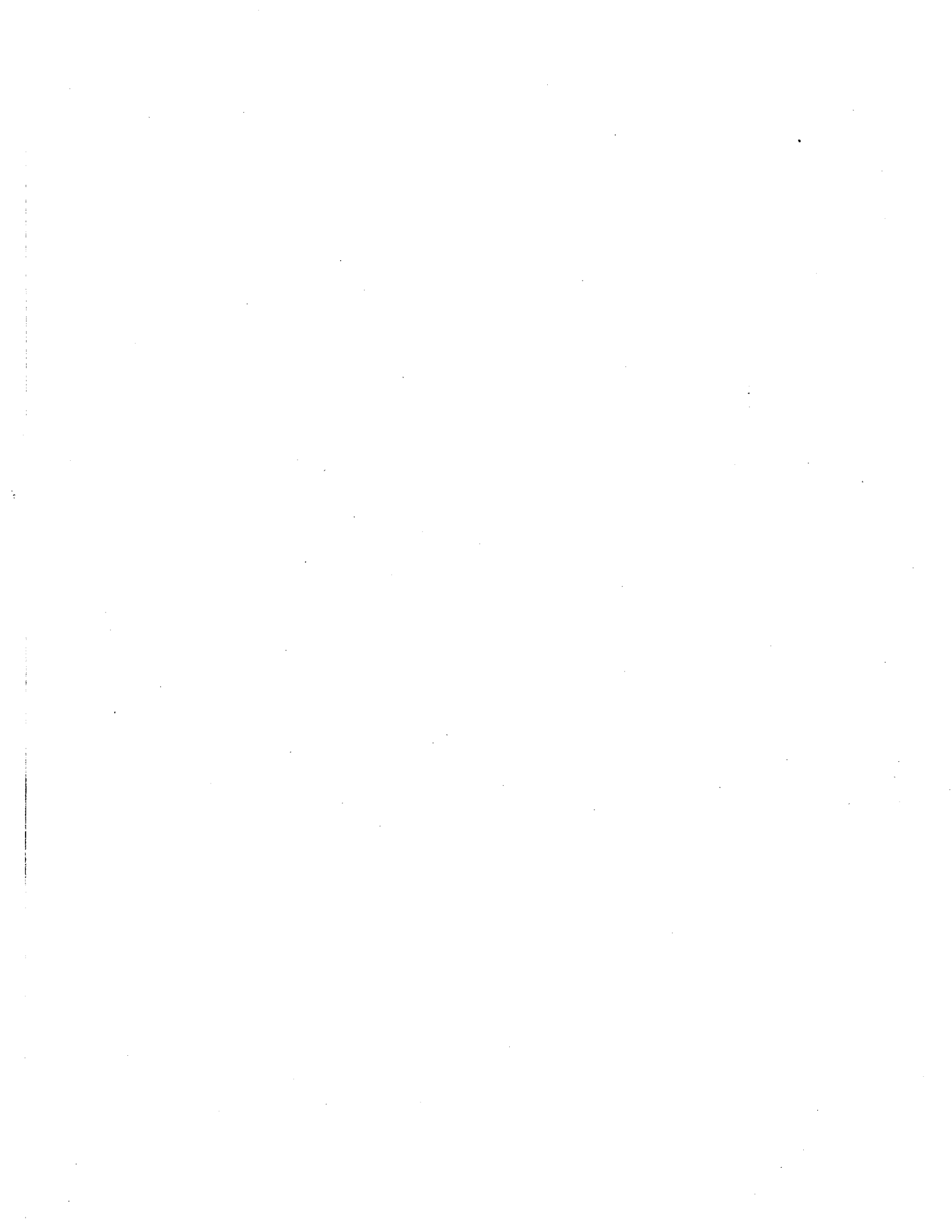
Certain comparative figures have been reclassified to conform with the presentation adopted in 1999.

SUPPLEMENTARY SCHEDULE

**TORONTO TRANSIT COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999**

\$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT CONSULTANTS LTD (TTCL)
STATEMENT OF OPERATIONS			
REVENUE			
Passenger services	(558,854)	(1,788)	-
Property rental	(13,280)	-	-
Advertising	(8,904)	-	-
Miscellaneous	(4,206)	-	(6)
Total revenue	(585,244)	(1,788)	(6)
EXPENSES			
Wages, salaries and benefits	532,881	24,073	-
Materials, services and supplies	93,460	5,920	-
Depreciation	84,467	-	-
Amortization of capital contributions	(68,610)	-	-
Vehicle fuel	23,544	1,217	-
Electric traction power	23,028	-	-
Accident Claims	9,113	249	-
Property taxes	8,898	-	-
Wheel-Trans contract services	-	7,008	-
Net interest expense	-	-	-
Income tax	-	-	3
Total expenses	706,781	38,467	3
Net operating costs (income)	121,537	36,679	(3)
Capitalized costs	17,794	1,800	-
Operating subsidies	(139,331)	(38,479)	-
Net operating surplus	-	-	(3)
Accumulated (equity)deficit, beginning of year	(33,581)	-	(163)
Dividend paid	-	-	150
Refundable taxes recovered	-	-	(5)
Accumulated (equity)deficit, end of year	(33,581)	-	(21)
Operating Subsidies (as above)	139,331	38,479	-
City Special Costs (not on TTC financial statements)	2,407	-	-
Contribution to Stabilization Reserve Fund (not on TTC financial statements)	7,150	761	-
Total City Operating Subsidy	148,888	39,240	-
BALANCE SHEET			
Current Assets			
Cash and cash equivalents	8,641	-	119
Accounts receivable	-	-	-
The City of Toronto	127,765	-	-
Other	13,909	-	2
Spare parts and supplies inventory	63,559	-	-
Indemnity receivable from the TTC	-	-	-
Prepaid expenses	2,511	-	-
	216,385	-	121
Long-term Assets			
Long-term investments	4,491	-	-
Investment in subsidiary	9,707	-	-
Net capital assets	3,170,290	-	-
	3,400,873	-	121
Current Liabilities			
Accounts payable and accrued liabilities	(176,872)	-	-
Deferred passenger revenue	(22,830)	-	-
Unsettled accident claims	(10,300)	-	-
Employee benefits	(7,147)	-	-
Income taxes payable	-	-	-
Due to parent	-	-	-
	(217,149)	-	-
Long-term Liabilities			
Net capital contributions	(3,062,011)	-	-
Employee benefits	(60,736)	-	-
Advances from parent	-	-	-
Unsettled accident claims	(24,100)	-	-
Other	(3,296)	-	-
	(3,367,292)	-	-
Capital Stock	-	-	(100)
Accumulated equity	(33,581)	-	(21)
	(3,400,873)	-	(121)

TORONTO COACH TERMINAL INC. (TCTI)	TTC INSURANCE COMPANY LTD (TTCIC)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
-	-	(560,642)	-	(560,642)
(1,278)	-	(14,558)	-	(14,558)
-	-	(8,904)	-	(8,904)
(4,129)	(45)	(8,386)	1,054	(7,332)
(5,407)	(45)	(592,490)	1,054	(591,436)
2,700	-	559,654	-	559,654
795	45	100,219	975	101,194
424	-	84,891	-	84,891
-	-	(68,610)	-	(68,610)
-	-	24,761	-	24,761
-	-	23,028	-	23,028
-	-	9,363	44	9,407
513	-	9,411	-	9,411
-	-	7,008	-	7,008
904	-	904	(904)	-
17	-	20	(20)	-
5,353	45	750,649	95	750,744
(54)	-	158,159	1,149	159,308
-	-	19,594	-	19,594
-	-	(177,810)	-	(177,810)
(54)	-	(57)	1,149	1,092
6,578	-	(27,166)	(6,497)	(33,663)
-	-	150	(150)	-
-	-	(5)	5	-
6,524	-	(27,078)	(5,493)	(32,571)
-	-	177,810	-	-
-	-	2,407	-	-
-	-	7,911	-	-
-	-	188,128	-	-
1,415	900	11,075	-	11,075
-	-	127,765	-	127,765
58	-	13,969	(342)	13,627
-	-	63,559	-	63,559
-	25,378	25,378	(25,378)	-
-	-	2,511	-	2,511
1,473	26,278	244,257	(25,720)	218,537
-	-	4,491	-	4,491
900	-	10,607	(10,607)	-
8,958	-	3,179,248	-	3,179,248
11,331	26,278	3,438,603	(36,327)	3,402,276
(1,348)	-	(178,220)	(46)	(178,266)
-	-	(22,830)	-	(22,830)
(50)	(25,378)	(35,728)	25,378	(10,350)
-	-	(7,147)	-	(7,147)
(46)	-	(46)	46	-
(342)	-	(342)	342	-
(1,786)	(25,378)	(244,313)	25,720	(218,593)
-	-	(3,062,011)	-	(3,062,011)
-	-	(60,736)	-	(60,736)
(14,100)	(800)	(14,900)	14,900	-
(50)	-	(24,150)	-	(24,150)
(919)	-	(4,215)	-	(4,215)
(16,855)	(26,178)	(3,410,325)	40,620	(3,369,705)
(1,000)	(100)	(1,200)	1,200	-
6,524	-	(27,078)	(5,493)	(32,571)
(11,331)	(26,278)	(3,438,603)	36,327	(3,402,276)



Salary Disclosure - 1999

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 1999:

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Warren H. Bartram	General Supt. - Track & Structure	119,692	3,253
Andy G. Bertolo	Chief Project Mgr. - Sheppard Subway	104,936	3,253
Robert A. Boutilier	General Supt. - Bus Maint. & Shops	119,692	76
Robert J. Brent	Chief Marketing Officer	107,783	3,253
William D. Brown	Manager - Vehicle Engineering	107,783	3,253
John D. Cannell	Manager - Pension Fund Society	107,783	3,253
Allen J. Chocorlan	Manager - Materials and Procurement	111,317	7,251
Rick Cornacchia	Deputy General Manager - Surface Ops	127,567	7,609
Michael Couse	Deputy General Supt. - Subway Transp.	101,766	3,253
William Crosbie	General Supt. - Subway Transportation	114,841	3,253
John W. Davies	Chief Information Officer	111,946	6,661
Kathryn Dean	Manager - Training	107,783	3,253
Dave Dixon	General Supt. - Streetcars	110,424	3,253
William G. Frost	Manager - Support Services	124,130	3,253
Lynn I. Hilborn	Deputy General Manager - Corporate	129,813	7,609
Brian M. Leck	General Counsel	113,993	3,253
Don Leger	General Supt. - Plant Maintenance	109,687	3,253
Ronald D. McLaughlin	Chief of Staff - Office of the Premier *	168,611	76
Paul Millett	General Supt. - Rail Cars & Shops	109,604	3,253
John O'Grady	Manager - Safety	103,872	6,546
James H. Ralston	General Supt. - Bus Transportation	119,692	3,253
Michael A. Roche	Chief Financial Officer	106,063	3,253
Vincent Rodo	General Secretary/Gen. Manager - Exec.	138,390	13,807
John A. Sepulis	General Manager - Engr. & Construction	121,584	13,807
Bud L. Simpson	Deputy General Manager - Subway Ops.	154,551	7,609
I. Mitch Stambler	Manager - Service Planning	102,386	3,253
Robert J. Thacker	General Supt. - Wheel-Trans	119,692	3,253
Gary M. Webster	General Manager - Operations	150,835	13,807

* 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.

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

	1999	1998	1997
OPERATING STATISTICS			
(regular service inside City)			
Passenger Trips (Millions)	392.6	388.7	379.9
Basic Adult Ticket Fare (at December 31) (\$)	1.70	1.60	1.60
Average Number of Employees (including TCTI)	10,049	9,462	9,133
Average Hourly Wages & Benefits per Operator (\$)	30.20	29.06	28.99
Kilometres Operated (Millions)			
Bus	94.4	94.5	93.7
Subway Car	67.4	67.6	65.5
Streetcar	11.4	12.1	10.6
Trolley Coach	0.0	0.0	0.0
Scarborough RT	3.9	4.1	3.7
Total Kilometres Operated	177.2	178.3	173.5
OPERATING REVENUE STATISTICS			
Operating Revenue - including property rental, etc. (\$ Millions)	585.2	563.9	559.4
Operating Revenue per Passenger Trip (\$)	1.49	1.45	1.47
Operating Revenue per Kilometre (\$)	3.30	3.16	3.22
OPERATING EXPENSE STATISTICS			
Operating Expenses (\$ Millions)	706.8	702.8	703.5
Operating Expense per Passenger Trip (\$)	1.80	1.81	1.85
Operating Expense per Kilometre (\$)	3.99	3.94	4.05
OPERATING SUBSIDY STATISTICS			
Operating Subsidy (\$ Millions)	139.3 ⁹	146.3 ⁷	158.9 ⁶
Operating Subsidy per Passenger Trip (\$)	0.35	0.38	0.42
Operating Subsidy per Kilometre (\$)	0.79	0.82	0.92
REVENUE/COST RATIO	80.8% ¹⁰	79.4% ⁸	80.4%
CAPITAL ASSETS (Conventional & Wheel-Trans)			
Investment in Capital Assets at December 31 (\$ Millions)			
Gross Investment (before contributions & depreciation)	4,849.2	4,258.4	3,721.2
City & Provincial Contributions	(4,547.2)	(3,951.8)	(3,420.8)
TTC Investment (before depreciation)	302.0	306.6	300.4
PASSENGER VEHICLE FLEET			
(Conventional & Wheel-Trans, owned or leased and in service December 31)			
Buses	1,483	1,498	1,468
Subway Cars	660	638	620
Streetcars	248	248	248
Trolley Coaches	0	0	0
Scarborough RT Cars	28	28	28
Wheel-Trans Buses	150	140	140
Total Vehicle Fleet	2,569	2,552	2,504

Notes:

- 1991 revenue did not include a \$48 million dividend from Metropolitan Toronto Coach Terminal Inc..
- 1992 and 1993 revenue did not include draws from the Transit Improvement Reserve Fund.
- The lower average hourly wages & benefits for Operators in 1994 and 1995 related to the Social Contract savings.
- 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
- 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.
- 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.

1996	1995	1994	1993	1992	1991	1990
372.4	388.2	388.3	393.5	404.3	424.2	459.2
1.60	1.50	1.30	1.30	1.30	1.07	1.00
9,129	9,459	9,621	9,717	10,051	10,218	10,351
29.72	28.25 ³	28.08 ³	28.75	28.30	26.59	24.99
93.7	100.9	100.5	99.0	102.1	98.8	101.9
63.9	62.8	63.8	63.6	65.1	67.8	70.9
10.9	11.1	11.2	11.5	12.0	12.7	13.1
0.0	0.0	0.0	0.7	0.5	4.8	5.4
3.6	3.7	3.6	3.7	3.5	3.3	3.3
172.1	178.5	179.1	178.5	183.2	187.4	194.6
514.8	457.3	444.8	447.0 ²	446.4 ²	430.7 ¹	440.4
1.38	1.18	1.15	1.14	1.10	1.02	0.96
2.99	2.56	2.48	2.50	2.44	2.30	2.26
684.0	671.8	671.9	681.1	691.0	662.6	628.3
1.84	1.73	1.73	1.73	1.71	1.56	1.37
3.97	3.76	3.75	3.82	3.77	3.54	3.23
169.2 ⁵	214.6 ⁴	207.1	234.1	244.6	231.9	187.9
0.45	0.55	0.53	0.60	0.61	0.55	0.41
0.98	1.20	1.16	1.31	1.34	1.24	0.97
75.7%	69.3%	69.4%	65.7%	66.2%	65.3%	67.4%
3,353.6	3,042.4	2,830.6	2,605.5	2,445.3	2,305.8	2,188.7
(3,055.9)	(2,738.8)	(2,532.9)	(2,317.0)	(2,161.5)	(2,047.7)	(1,931.5)
297.7	303.6	297.7	288.5	283.8	258.1	257.2
1,525	1,542	1,564	1,564	1,592	1,677	1,744
640	622	622	622	622	622	622
248	248	267	267	267	265	270
0	0	0	0	40	120	139
28	28	28	28	28	28	28
140	140	140	141	140	124	123
2,581	2,580	2,621	2,622	2,689	2,836	2,926

7. On January 1, 1998, the City of Toronto assumed all assets & liabilities of Metro and all Provincial operating subsidies ceased. This total subsidy paid by the City was \$149.3 million, consisting of \$146.3 million for the operating subsidy, \$1.9 million for the City special costs and a \$1.1 million contribution to the Stabilization Reserve Fund.

8. In previous years, the revenue/cost ratio had been determined in accordance with Provincial operating subsidy rules on eligible revenues and expenses, which, if applied in 1998, would have yielded a slightly higher revenue/cost ratio. The 1998 revenue/cost ratio was recalculated as operating revenue/operating expenses (including \$7.4 million for capitalized costs).

9. This total subsidy paid by the City was \$148.9 million, consisting of \$139.3 million for the operating subsidy, \$2.4 million for the City special costs and a \$7.2 million contribution to the Stabilization Reserve Fund.

10. The 1999 revenue/cost ratio was calculated as operating revenue/operating expenses, (including \$17.8 million for capitalized costs).

Management Directory – 1999

OFFICERS AND SENIOR OFFICIALS

Richard C. Ducharme
Chief General Manager

Rick Cornacchia
Deputy General Manager
Surface Operations

Lynn I. Hilborn
Deputy General Manager
Corporate

Brian M. Leck
General Counsel

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
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William Crosbie
General Superintendent
Subway Transportation

John W. Davies
Chief Information Officer

Kathryn Dean
Manager
Training

Dave Dixon
General Superintendent
Streetcars

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

Andy Priede
Manager
Human Resources

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.
Richard C. Ducharme
President

Toronto Transit Consultants
Limited
Vincent Rodo
Treasurer

TTC Insurance Company
Limited
Vincent Rodo
President

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