Annual Report

2000

TORONTO TRANSIT COMMISSION

2000 ANNUAL REPORT

Toronto Transit Commission

Chair
Brian Ashton

Vice-Chair
Mario Silva

Commissioners

Gerry Altobello

Betty Disero

Norm Kelly

Joe Mihevc

David Miller

Howard Moscoe

Sherene Shaw

Letter from the Chair

DATE: June, 2001

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

It gives me great pleasure to present the 2000 Annual Report of the Toronto Transit Commission ("TTC"), on behalf of the Commissioners and employees.

The year 2000 was once again an encouraging growth year for the TTC. Ridership continued to increase, for the fourth year in a row, reaching 410.6 million. This was the first time the 400 million mark had been topped since the recession of the early '90s.

Over the past 12 months, the TTC has added more customer services:

- in November, an automated multilingual transit information system was installed on the general TTC information number; it provides service in 10 of the most frequently spoken languages in Toronto (English, Cantonese, Mandarin, Korean, Vietnamese, Spanish, Russian, French, Tamil and Polish);

- the TTC continues to make public transportation more accessible, with the opening of new elevators at St. George, Bathurst, Finch, Kipling and Scarborough Centre stations; in 2001 elevators will be completed at Queen's Park and Davisville; and

- July 21st saw the opening of the 509 Harbourfront/Queen's Quay Connection to Exhibition Place; this new service allows customers to travel directly from Union Station to Exhibition Place.

Construction is progressing on the 6.4 km Sheppard subway, which is scheduled to open in mid-2002. All five stations along Sheppard will be fully accessible.

In July, the TTC was included in the book *Canada's Top 100 Employers*. Author Richard Yerema examined 30,000 companies and organizations across the country, and determined that the TTC offers a wide range of benefits that help attract and retain talented staff. The TTC also received credit for maintaining and improving service and minimizing fare increases, despite significant cuts in government funding.

In December, service on the Bloor/Danforth subway line was disrupted as the result of an overnight fire on a work train at Old Mill Station. Shuttle buses were used during the morning rush hour between Dundas West and Kipling stations. Thanks to quick work by TTC employees, the closed section was re-opened by the afternoon rush hour. Old Mill Station was back in full operation by start-up time the next morning.

The TTC's bus rebuild program completed 205 buses last year, bringing the total to 1,100 since the program was launched in 1995. Another 198 vehicles will be re-built this year.

More T1 subway cars were added to the TTC fleet in 2000. By year-end, 318 out of the 372 ordered had been delivered. The overhaul of existing subway cars continued. Since the H5 program began in 1997, 134 subway cars and 28 SRT vehicles have been rebuilt. Our rebuild programs are an extraordinary achievement by our employees.

TTC employees recorded many significant achievements throughout the year, including:

- in June, Arrow Road operator Bill White took first place at the National Bus Rodeo Championship in Victoria, B.C; the 26-year TTC bus driver went on to place very well at the North American Championship in San Francisco;
- Operator Lois Barratt of the Birchmount Division has been proclaimed the 2000 Transit Community Watcher of the year, for her care for a lost young boy during a blizzard; more than 1,700 TTC employees have been nominated as Transit Community Watchers since the inception of the program in 1993; and
- once again, TTC employees showed their true spirit, and generosity, by raising a record $840,000 for the United Way – an increase of $118,000 over the previous year's total.

In conclusion, we face serious challenges over the next few years. This term of Council will be committing to vehicle replacements that take TTC Capital costs to over $500 million per year.

At this time, the Capital Budget is completely funded by the municipality, unlike every other major public transit system in North America. With ridership on the increase, it is crucial that more federal and provincial funding be in place to maintain the existing level of service. We cannot do this alone.

I would like to thank the members of the previous Commission, namely, Chair Howard Moscoe, Vice-Chair Rob Davis and Commissioners Blake Kinahan (January-March), Chris Korwin-Kuczynski, Gloria Lindsay Luby (April-December), Joe Mihevc and David Miller for their diligence and commitment during their term of office. I would also like to welcome the members of the new Commission: Vice-Chair Mario Silva and Commissioners Gerry Altobello, Betty Disero, Norm Kelly, Joe Mihevc, David Miller, Howard Moscoe and Sherene Shaw. I also congratulate the TTC employees for continuing to make our system clean, safe and efficient.

Brian Ashton
Chair

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2000

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, 2000 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 Canadian 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, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
March 29, 2001.

Chartered Accountants

TORONTO TRANSIT COMMISSION

Consolidated Balance Sheets
As at December 31

	2000 ($000s)	1999 ($000s)
ASSETS		
Current		
Cash and cash equivalents (note 6)	16,676	11,075
Accounts receivable		
The City of Toronto (note 7)	124,427	127,765
Other	13,191	13,627
Spare parts and supplies inventory	66,134	63,559
Prepaid expenses	3,164	2,511
	223,592	218,537
Long-term		
Long-term investments (note 8)	4,487	4,491
Net capital assets (note 9)	3,443,054	3,179,248
	3,671,133	3,402,276
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	177,770	178,266
Deferred passenger revenue	21,780	22,830
Unsettled accident claims (note 10)	8,846	10,350
	208,396	211,446
Long-term		
Net capital contributions (note 11)	3,325,571	3,062,011
Employee benefits (note 12)	77,364	67,883
Unsettled accident claims (note 10)	26,854	24,150
Environmental and legal liabilities	2,342	4,215
	3,640,527	3,369,705
Accumulated equity	30,606	32,571
	3,671,133	3,402,276

See accompanying notes to the financial statements

Approved:

Commissioner

Commissioner

TORONTO TRANSIT COMMISSION

Consolidated Statements of Operations and Accumulated Equity
Years ended December 31

	2000	1999
	($000s)	($000s)
REVENUE		
Passenger services	601,992	560,642
Property rental	15,711	14,707
Advertising	12,124	8,904
Miscellaneous	7,533	7,183
Total revenue	637,360	591,436
EXPENSES		
Wages, salaries and benefits	587,408	559,645
Depreciation	129,400	142,051
Amortization of capital contributions	(114,711)	(125,770)
Materials, services and supplies	105,731	101,203
Vehicle fuel	28,829	24,761
Electric traction power	23,630	23,028
Accident claims	11,384	9,407
Property taxes	9,679	9,411
Wheel-Trans contract services	8,428	7,008
Total expenses	789,778	750,744
Net operating costs before capitalized costs	152,418	159,308
Capitalized costs (note 13)	20,101	19,594
Net operating costs	172,519	178,902
Operating subsidies from the City of Toronto	170,554	177,810
Net operating surplus/(deficit)	(1,965)	(1,092)
Accumulated equity, beginning of year	32,571	33,663
Accumulated equity, end of year	30,606	32,571

See accompanying notes to the financial statements

TORONTO TRANSIT COMMISSION

Consolidated Statements of Cash Flow
Years ended December 31

	2000 ($000s)	1999 ($000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	600,942	559,962
Other cash received	35,804	26,449
Cash paid to employees	(577,927)	(552,837)
Cash paid to suppliers	(178,552)	(163,256)
Cash paid for accident claims	(10,184)	(10,907)
Net cash used in operating activities	(129,917)	(140,589)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset acquisitions (net of disposals)	(393,206)	(612,082)
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating subsidies - conventional transit system		
Received for operating costs	112,473	121,537
Received for capital assets	17,601	17,794
Operating subsidies - Wheel-Trans system		
Received for operating costs	37,980	36,679
Received for capital assets	2,500	1,800
Capital subsidies received	358,170	575,718
Cash provided by financing activities	528,724	753,528
Increase in cash and cash equivalents during year	5,601	857
Cash and cash equivalents, beginning of year	11,075	10,218
Cash and cash equivalents, end of year (note 6)	16,676	11,075

See accompanying notes to the financial statements

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 Canadian 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.

(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 and Cash Equivalents

Cash and cash equivalents consist of cash on hand and money market instruments, such as Treasury bills and bankers' acceptances, which have original maturities at acquisition averaging three months or less and are readily convertible to cash on short notice. The investments are held 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 (formerly Metro), 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.

(j) Change in Accounting Policy

Effective January 1, 2000, the Commission adopted the requirements of the Canadian Institute of Chartered Accountants' recommendations in Section 3461, *Employee Future Benefits.* The Commission's accounting policies for pension plan and post-employment benefits were materially compliant with the new requirements. However, the accounting policies for certain other retirement benefits did not comply with recommendations regarding the attribution period and the discount rate used in determining the accrued benefit obligation. The required changes in accounting policies have been applied on a prospective basis.

The total transitional obligation of $39.3 million arising from the changes in accounting policies will be amortized on a straight-line basis over the average remaining service period of active employees expected to receive these benefits. The amortization period is 14 years for post-retirement medical benefits and 11 years for supplemental pension benefits. As a result of this change, wages, salaries and benefits expense for fiscal 2000 increased by approximately $2.6 million.

(k) 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 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;

- the costs of other retirement benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance; accrued obligations and related costs of funded benefits are net of plan assets;

- the liabilities for post-employment and other retirement benefits are determined using discount rates that are consistent with the market rates of high quality debt instruments, with cash flows that match the expected benefits payments;

- unrecognized accumulated liabilities arising from a change in accounting policy in fiscal 1997 for post-employment benefits are being amortized on a straight-line basis over 13 years, the expected average remaining service life of the employee group covered by the benefit plan at the date of the change;

- past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment;

- net actuarial gains and losses for post-employment benefits are amortized on a straight-line basis over the average remaining service period of active employees, 10 years for workplace safety insurance benefits and seven years for long-term disability benefits;

- for other retirement benefits, the excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value for plan assets, is amortized on a straight-line basis over the average remaining service period of active employees; the average remaining service period of active employees are 14 years for post-retirement medical benefits and 11 years for supplemental pension benefits;

- for the purpose of calculating the expected return on plan assets related to the supplemental pension plans, those assets are valued at fair value.

(l) 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 $35.7 million (1999 - $34.5 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 4.5 to 6.75%.

4. OPERATING SUBSIDIES

(a) Conventional transit

For 2000, operating subsidies totalled $130.1 million (1999 - $139.3 million):

		2000	1999
		($000s)	
Conventional System Operating Expenses		(745,066)	(706,781)
Capital costs financed by operations		(17,601)	(17,794)
Financed from:	TTC Revenue	630,155	585,244
	City Subsidy	130,074	139,331
Net Operating Deficit		2,438	-

(b) Wheel-Trans

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

		2000	1999
		($000s)	
Wheel-Trans Operating Expenses		(40,050)	(38,467)
Capital costs financed by operations		(2,500)	(1,800)
Financed from:	TTC Revenue	2,070	1,788
	City Subsidy	40,480	38,479
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 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. The Capital Subsidy Reserve Fund was fully depleted in 1999. Although no further funding agreement has yet been established with the Province, discussions have been held with the Province in this regard.

(b) Wheel-Trans

The Commission received a 100% subsidy from the City for capital expenditures incurred by Wheel-Trans for revenue vehicles and a 45.5% subsidy for computer equipment and software.

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:

	2000	1999
	($000s)	
Cash	15,754	10,164
Cash equivalents	922	911
Total cash and cash equivalents	16,676	11,075

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 $6.4 million (1999 - $5.9 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, 2000, the fair value of the bonds is $3.1 million (1999 - $3.0 million) and of the shares is $3.4 million (1999 - $2.1 million).

9. NET CAPITAL ASSETS

The net capital assets of the Commission are as follows:

	2000	1999
	($000s)	
Rolling stock	1,360,284	1,206,149
Construction in progress	1,218,284	1,117,951
Subway	1,109,908	1,064,716
Buses	506,496	477,259
Other equipment	321,608	301,509
Buildings	310,842	306,556
Trackwork	286,912	266,122
Power distribution system	117,170	110,211
Land	13,136	13,136
	5,244,640	4,863,609
Less accumulated depreciation	1,801,586	1,684,361
Net capital assets	3,443,054	3,179,248

Land purchased directly by the City (formerly Metro), for the Commission's use, is accounted for in the City's records. The insured value of the Commission's assets, less land, in 2000 was $7,667,014,000 (1999 - $7,285,595,000).

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, 2000 $27.0 million (1999 - $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. NET CAPITAL CONTRIBUTIONS

The net capital contributions of the Commission are as follows:

	2000	1999
	($000s)	
Capital contributions	4,925,430	4,547,159
Less accumulated amortization	1,599,859	1,485,148
Net capital contributions	3,325,571	3,062,011

12. EMPLOYEE BENEFITS

The employee benefits liabilities of the Commission are as follows:

	2000	1999
	($000s)	
Post-employment benefits	66,171	61,700
Other retirement benefits	11,193	6,183
Total employee benefits	77,364	67,883

(a) Pension plan benefits

The Commission participates in 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 each made required contributions of $34.0 million in 2000 (1999 - $32.0 million), which represented 6.25% of members' covered earnings up to the Canada Pension Plan yearly maximum pensionable earnings ($37,600 for 2000) and 7.85% of covered earnings in excess of this amount. In addition, the Commission contributed $2.2 million in 2000 (1999 - $2.1 million) for an early retirement provision.

Based on the latest actuarial reports, which reflected the terms of the plan, as at January 1, 2000 and January 1, 1999, the Society's records indicated the following:

	Jan 1/00	Jan 1/99
		($000s)
Actuarial value of assets	2,278,066	2,083,781
Pension obligations	2,250,472	1,973,280
Funding excess	27,594	110,501

Total contributions to the Society meet the minimum funding requirements in accordance with pension legislation and provide for the amortization of any 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:

	2000	1999
	($000s)	
Accrued benefit obligation	70,800	73,550
1997 Unrecognized accumulated liabilities	(10,685)	(11,850)
Unamortized net actuarial gain	6,036	-
Accrued benefit liability	66,171	61,700
Benefit expense	13,613	13,885
Benefits paid	10,555	7,055
Discount rate	6.75%	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.

The benefit amounts and actuarial assumptions used are as follows:

	2000	1999
	($000s)	
Supplemental pension benefits		
Accrued benefit obligation	5,568	3,683
Fair value of plan assets	1,854	1,000
Funded status – plan deficit	3,714	2,683
Post-retirement medical benefits		
Accrued benefit obligation	47,600	13,500
	51,314	16,183
Unamortized transitional obligation	(36,461)	-
Unamortized net actuarial loss & past service costs	(3,660)	-
1997 Unrecognized accumulated liabilities	-	(10,000)
Accrued benefit liability	11,193	6,183
Benefit expense	7,085	3,900
Benefits paid	1,848	1,541
Employer contributions to funded benefit plan	810	381
Employee contributions to funded benefit plan	40	86
Discount rate	6.75%	7.6%
Expected long-term rate of return on plan assets	2.5%	3.25%

The following medical cost increase assumptions have been used for long-term disability health care continuation and post-retirement medical benefits:

Prescription drug costs	9% per annum in 2000, grading down to 5% over 5 years
Other medical and dental costs	5% per annum

13. CAPITALIZED COSTS

Capitalized costs consist of costs related primarily to rebuilding 12-year-old buses to enable them to reliably achieve their planned useful lives, rebuilding 18-year-old buses at the end of their useful lives and to the replacement of Wheel-Trans Orion II buses.

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 RST, EHT and other associated payroll taxes.

(c) The Commission is committed to purchase 372 subway cars, at a total estimated contract cost of $861 million. At December 31, 2000 progress payments of $823 million have been made and the Commission has accepted delivery of 318 cars.

(d) The Commission has contracts for the construction of various capital projects. At December 31, 2000 these contractual commitments are approximately $149.4 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, 2000 progress payments of $16.1 million have been incurred, with 74 vehicles received.

(f) The Commission leases certain premises under operating lease agreements. The future minimum lease commitments are as follows:

2001	4,800,000
2002	4,900,000
2003	5,100,000
2004	5,400,000
2005	5,600,000
thereafter	2,500,000

15. COMPARATIVES

Certain comparative figures have been reclassified to conform with the presentation adopted in 2000.

SUPPLEMENTARY SCHEDULE

TORONTO TRANSIT COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000

$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT CONSULTANTS LTD (TTCL)
STATEMENT OF OPERATIONS			
REVENUE			
Passenger services	(599,922)	(2,070)	-
Property rental	(14,411)	-	-
Advertising	(12,124)	-	-
Miscellaneous	(3,698)	-	(6)
Total revenue	(630,155)	(2,070)	(6)
EXPENSES			
Wages, salaries and benefits	559,922	24,640	-
Depreciation	128,981	-	-
Amortization of capital contributions	(114,711)	-	-
Materials, services and supplies	99,160	5,732	-
Vehicle fuel	27,618	1,211	-
Electric traction power	23,630	-	-
Accident Claims	11,295	39	-
Property taxes	9,171	-	-
Wheel-Trans contract services	-	8,428	-
Interest expense net	-	-	-
Income tax	-	-	-
Total expenses	745,066	40,050	-
Net operating costs (income)	114,911	37,980	(6)
Capitalized costs	17,601	2,500	-
Operating subsidies	(130,074)	(40,480)	-
Net operating shortfall (surplus)	2,438	-	(6)
Accumulated (equity)deficit, beginning of year	(33,581)	-	(21)
Accumulated (equity)deficit, end of year	(31,143)	-	(27)
Not on TTC Financial Statements			
Operating Subsidies (as above)	130,074	40,480	-
City Special Costs	2,150	-	-
Contribution to TTC Stabilization Reserve Fund	12,100	31	-
Total City Operating Subsidy	144,324	40,511	-
BALANCE SHEET			
Current Assets			
Cash and cash equivalents	11,235	-	126
Accounts receivable			
The City of Toronto	124,427	-	-
Other	13,606	-	1
Spare parts and supplies inventory	66,134	-	-
Indemnity receivable from the TTC	-	-	-
Prepaid expenses	3,164	-	-
	218,566	-	127
Long-term Assets			
Long-term investments	4,487	-	-
Investment in subsidiary	10,727	-	-
Net capital assets	3,434,514	-	-
	3,668,294	-	127
Current Liabilities			
Accounts payable and accrued liabilities	(175,274)	-	-
Deferred passenger revenue	(21,780)	-	-
Unsettled accident claims	(8,796)	-	-
Income taxes payable	-	-	-
Due to parent	-	-	-
	(205,850)	-	-
Long-term Liabilities			
Net capital contributions	(3,325,571)	-	-
Employee benefits	(77,364)	-	-
Advances from parent	-	-	-
Unsettled accident claims	(26,804)	-	-
Other	(1,562)	-	-
	(3,637,151)	-	-
Capital Stock	-	-	(100)
Accumulated equity	(31,143)	-	(27)
	(3,668,294)	-	(127)

TORONTO COACH TERMINAL INC. (TCTI)	TTC INSURANCE COMPANY LTD (TTCIC)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
-	-	(601,992)	-	**(601,992)**
(1,300)	-	(15,711)	-	**(15,711)**
-	-	(12,124)	-	**(12,124)**
(4,714)	(51)	(8,469)	936	**(7,533)**
(6,014)	(51)	(638,296)	936	**(637,360)**
2,846	-	587,408	-	**587,408**
419	-	129,400	-	**129,400**
-	-	(114,711)	-	**(114,711)**
840	51	105,783	(52)	**105,731**
-	-	28,829	-	**28,829**
-	-	23,630	-	**23,630**
-	-	11,334	50	**11,384**
508	-	9,679	-	**9,679**
-	-	8,428	-	**8,428**
936	-	936	(936)	-
(2)	-	(2)	2	-
5,547	51	790,714	(936)	**789,778**
(467)	-	152,418	-	**152,418**
-	-	20,101	-	**20,101**
-	-	(170,554)	-	**(170,554)**
(467)	-	1,965	-	**1,965**
6,524	-	(27,078)	(5,493)	**(32,571)**
6,057	-	(25,113)	(5,493)	**(30,606)**
-	-	170,554	-	-
-	-	2,150	-	-
-	-	12,131	-	-
-	-	184,835	-	-
4,415	900	16,676	-	**16,676**
-	-	124,427	-	**124,427**
57		13,664	(473)	**13,191**
-	-	66,134	-	**66,134**
-	27,014	27,014	(27,014)	-
-	-	3,164	-	**3,164**
4,472	27,914	251,079	(27,487)	**223,592**
-	-	4,487	-	**4,487**
900	-	11,627	(11,627)	-
8,540	-	3,443,054	-	**3,443,054**
13,912	27,914	3,710,247	(39,114)	**3,671,133**
(2,457)	-	(177,731)	(39)	**(177,770)**
-	-	(21,780)	-	**(21,780)**
(50)	(27,014)	(35,860)	27,014	**(8,846)**
(39)	-	(39)	39	-
(473)	-	(473)	473	-
(3,019)	(27,014)	(235,883)	27,487	**(208,396)**
-	-	(3,325,571)	-	**(3,325,571)**
-	-	(77,364)	-	**(77,364)**
(15,120)	(800)	(15,920)	15,920	-
(50)	-	(26,854)	-	**(26,854)**
(780)	-	(2,342)	-	**(2,342)**
(18,969)	(27,814)	(3,683,934)	43,407	**(3,640,527)**
(1,000)	(100)	(1,200)	1,200	-
6,057	-	(25,113)	(5,493)	**(30,606)**
(13,192)	(27,914)	(3,710,247)	39,114	**(3,671,133)**

Salary Disclosure – 2000

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 2000:

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Warren H. Bartram	General Supt. - Track & Structure	122,714	3,253
Richard G. Beecroft	Chief Auditor	101,023	3,253
Andy G. Bertolo	Chief Project Mgr. – Sheppard Subway	111,850	3,253
Robert A. Boutilier	Deputy General Manager – Surface Ops	125,300	5,005
Robert J. Brent	Chief Marketing Officer	110,505	3,253
William D. Brown	Manager - Vehicle Engineering	110,505	3,253
Paul F. Buttigieg	Chief Accountant – Financial Services	111,877	76
John D. Cannell	Manager - Pension Fund Society	110,505	3,253
Allen J. Chocorlan	Manager - Materials and Procurement	110,505	3,253
Rick Cornacchia	Deputy General Manager – Subway Ops	134,631	7,609
William Crosbie	General Supt. - Subway Transportation	119,459	3,253
John W. Davies	Chief Information Officer	119,818	2,446
Kathryn Dean	Manager - Training	110,505	3,253
Dave Dixon	General Supt. – Bus Maint. & Shops	118,568	3,253
Richard C. Ducharme	Chief General Manager	164,997	13,794
Derick Finn	General Supt. – Signals/Elect./Comms.	106,592	12,169
William G. Frost	Manager - Support Services	121,213	3,253
Lynn I. Hilborn	Deputy General Manager - Corporate	134,631	7,609
Ed Krzywonos	Superintendent – Production Control	100,337	76
Ian Lane	General Supt. – Streetcars	100,976	3,253
Brian M. Leck	General Counsel	122,714	3,253
Don Leger	General Supt. - Plant Maintenance	119,459	3,253
Karen E. McGuire	Associate General Counsel	100,399	3,253
Ronald D. McLaughlin	Chief of Staff - Office of the Premier *	130,470	38
Thomas G. Middlebrook	Chief Engineer	113,210	3,253
Paul Millett	General Supt. - Rail Cars & Shops	119,459	3,253
John O'Grady	Manager – Safety	108,159	3,253
James H. Ralston	General Supt. - Bus Transportation	122,714	3,253
Michael A. Roche	Chief Financial Officer	113,132	3,253
Vincent Rodo	General Secretary/Gen. Manager - Exec.	139,525	13,807
John A. Sepulis	General Manager - Engr. & Construction	129,977	13,807
Bud L. Simpson	Deputy General Manager - Subway Ops.	107,935	4,527
I. Mitch Stambler	Manager – Service Planning	108,951	3,253
Robert J. Thacker	General Supt. - Wheel-Trans	122,714	3,253
Michael J. Walker	Chief Security Officer	106,336	3,221
Gary M. Webster	General Manager - Operations	143,519	13,807

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

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

	2000	1999	1998
OPERATING STATISTICS			
(regular service inside City)			
Passenger Trips (Millions)	410.6	392.6	388.7
Basic Adult Ticket Fare (at December 31) ($)	1.70	1.70	1.60
Average Number of Employees (including TCTI)	10,095	10,049	9,462
Average Hourly Wages & Benefits per Operator ($)	31.25	30.20	29.06
Kilometres Operated (Millions)			
Bus	95.0	94.4	94.5
Subway Car	74.4	67.4	67.6
Streetcar	11.3	11.4	12.1
Trolley Coach	0.0	0.0	0.0
Scarborough RT	4.2	3.9	4.1
Total Kilometres Operated	184.9	177.2	178.3
OPERATING REVENUE STATISTICS			
Operating Revenue - including property rental, etc. ($ Millions)	630.2	585.2	563.9
Operating Revenue per Passenger Trip ($)	1.53	1.49	1.45
Operating Revenue per Kilometre ($)	3.41	3.30	3.16
OPERATING EXPENSE STATISTICS			
Operating Expenses ($ Millions)	745.1	706.8	702.8
Operating Expense per Passenger Trip ($)	1.81	1.80	1.81
Operating Expense per Kilometre ($)	4.03	3.99	3.94
OPERATING SUBSIDY STATISTICS			
Operating Subsidy ($ Millions)	130.1	139.3 [9]	146.3 [7]
Operating Subsidy per Passenger Trip ($)	0.32	0.35	0.38
Operating Subsidy per Kilometre ($)	0.70	0.79	0.82
REVENUE/COST RATIO	82.6% [10]	80.8% [10]	79.4% [8]
CAPITAL ASSETS (Conventional & Wheel-Trans)			
Investment in Capital Assets at December 31 ($ Millions)			
Gross Investment (before contributions & depreciation)	5,230.3	4,849.2	4,258.4
City & Provincial Contributions	(4,925.4)	(4,547.2)	(3,951.8)
TTC Investment (before depreciation)	304.9	302.0	306.6
PASSENGER VEHICLE FLEET			
(Conventional & Wheel-Trans, owned or leased and in service December 31)			
Buses	1,468	1,483	1,498
Subway Cars	672	660	638
Streetcars	248	248	248
Trolley Coaches	0	0	0
Scarborough RT Cars	28	28	28
Wheel-Trans Buses	149	150	140
Total Vehicle Fleet	2,565	2,569	2,552

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.
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.

1997	1996	1995	1994	1993	1992	1991
379.9	372.4	388.2	388.3	393.5	404.3	424.2
1.60	1.60	1.50	1.30	1.30	1.30	1.07
9,133	9,129	9,459	9,621	9,717	10,051	10,218
28.99	29.72	28.25 [3]	28.08 [3]	28.75	28.30	26.59
93.7	93.7	100.9	100.5	99.0	102.1	98.8
65.5	63.9	62.8	63.8	63.6	65.1	67.8
10.6	10.9	11.1	11.2	11.5	12.0	12.7
0.0	0.0	0.0	0.0	0.7	0.5	4.8
3.7	3.6	3.7	3.6	3.7	3.5	3.3
173.5	172.1	178.5	179.1	178.5	183.2	187.4
559.4	514.8	457.3	444.8	447.0 [2]	446.4 [2]	430.7 [1]
1.47	1.38	1.18	1.15	1.14	1.10	1.02
3.22	2.99	2.56	2.48	2.50	2.44	2.30
703.5	684.0	671.8	671.9	681.1	691.0	662.6
1.85	1.84	1.73	1.73	1.73	1.71	1.56
4.05	3.97	3.76	3.75	3.82	3.77	3.54
158.9 [6]	169.2 [5]	214.6 [4]	207.1	234.1	244.6	231.9
0.42	0.45	0.55	0.53	0.60	0.61	0.55
0.92	0.98	1.20	1.16	1.31	1.34	1.24
80.4%	75.7%	69.3%	69.4%	65.7%	66.2%	65.3%
3,721.2	3,353.6	3,042.4	2,830.6	2,605.5	2,445.3	2,305.8
(3,420.8)	(3,055.9)	(2,738.8)	(2,532.9)	(2,317.0)	(2,161.5)	(2,047.7)
300.4	297.7	303.6	297.7	288.5	283.8	258.1
1,468	1,525	1,542	1,564	1,564	1,592	1,677
620	640	622	622	622	622	622
248	248	248	267	267	267	265
0	0	0	0	0	40	120
28	28	28	28	28	28	28
140	140	140	140	141	140	124
2,504	2,581	2,580	2,621	2,622	2,689	2,836

7. On January 1, 1998, the City of Toronto assumed all assets & liabilities of Metro and all Provincial operating subsidies ceased. The 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. The 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 2000 and 1999 revenue/cost ratios were calculated as operating revenue/operating expenses (including capitalized costs).

Management Directory – 2000

OFFICERS AND SENIOR OFFICIALS

Richard C. Ducharme
Chief General Manager

Robert A. Boutillier
Deputy General Manager
Surface Operations

Rick Cornacchia
Deputy General Manager
Subway 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

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

Scott Blakey
Manager
Human Resources

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

Kathryn Dean
Manager
Training

Dave Dixon
General Superintendent
Bus Maintenance & Shops

Derick Finn
General Superintendent
Signals/Electrical/
Communications

William G. Frost
Manager
Support Services

Ian Lane
General Superintendent
Streetcars

Don Leger
General Superintendent
Plant Maintenance

Stephen A. M. MacLean
Chief Information Officer

Thomas G. Middlebrook
Chief Engineer

Paul Millett
General Superintendent
Rail Cars and Shops

John P. O'Grady
Manager
Safety

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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