

# ANNUAL REPORT

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2001



TORONTO TRANSIT COMMISSION

# 2001 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, 2002

TO: MAYOR MEL LASTMAN AND COUNCILLORS OF THE CITY OF TORONTO

The 2001 Annual Report is presented on behalf of the Commissioners and employees of the Toronto Transit Commission (the "TTC").

### **Highlights**

2001 proved to be a good year for the TTC.

Ridership broke 400 million for the second consecutive year – increasing to 420 million from 410.6 million in 2000. The subway service performance level improved by 15 per cent on both the Yonge/University/Spadina and Bloor/Danforth lines. This meant that riders could expect a train every two minutes during morning and afternoon rush hours and every five minutes at off-peak times.

On September 27<sup>th</sup>, Premier Mike Harris brought welcome news by announcing that the provincial government was prepared to fund up to one-third of the TTC's capital needs.

### **80 years of service celebrated**

During the past 80 years, the TTC has served more than 23 billion riders. On September 6<sup>th</sup>, the TTC held a special birthday party at Nathan Phillips Square to recognize its 80 years of service to the public. Guests included Federal Transport Minister David Collenette, Provincial Transportation Minister Brad Clark, Toronto Mayor Mel Lastman and TTC Commissioners, along with hundreds of TTC pensioners, employees, and members of the public. The highlight of the day was an historic Parade of Vehicles through downtown streets, featuring vintage open car #327 from the Halton County Radial Railway Museum, the Peter Witt car, a PCC, and modern day TTC vehicles.

### **Ridership growth**

Ridership continued to increase, as it has since 1996. On December 6<sup>th</sup>, University of Toronto student Charlie Lui walked through the turnstiles at Bloor/Yonge station to become the 400 millionth rider of the year. This was the second year since 1992 that ridership topped the 400 million mark.

### **Government funding**

The TTC launched a major public education campaign on the need for increased government funding, using posters in the subway, streetcars, and buses. The campaign stressed the urgent need for all levels of government to help replace old and worn-out vehicles, tunnels, tracks, and much more, to maintain safe and reliable transit services in Canada's largest city. The TTC welcomed the provincial government's announced commitment and still awaits word from the federal government.

### **Fare increase**

On June 3<sup>rd</sup>, the TTC raised fares by an average of 10 cents. Adult cash fares increased by 25 cents to \$2.25. The increases were necessitated by Toronto City Council's decision to limit its annual TTC operating subsidy to \$147.6 million, \$26.6 million below TTC's request.

### **Service improvements**

Customer service vehicles and facilities continued to be improved. On June 15<sup>th</sup>, phase 1 of the Birchmount garage expansion was opened. The expansion provides two new bus service lines, a special cleaning line for fuelling and bus interior and external cleaning, and indoor storage for 84 buses.

In April, the TTC doubled to 18 the number of languages on the customer information line. Customers can now receive TTC information in Albanian, Cantonese, Farsi, French, Greek, Italian, Korean, Mandarin, Polish, Portuguese, Russian, Somali, Tamil, Turkish, Ukrainian, and Vietnamese.

In November, the TTC took delivery of the final two T-1 subway cars in an order of 372. This completed an \$865 million contract with Bombardier. In December, City Council approved the TTC's request for the purchase of 220 new low-floor buses, with the first shipment due in 2003.

### **Safety award and public recognition**

In May, the TTC received the 2001 American Public Transportation Association ("APTA") Bus Safety Silver Award. The TTC has received APTA awards in nine of the past ten years.

For the second year in a row, in December the TTC was recognized as one of Canada's best employers, in the 2002 edition of the book *Canada's Top 100 Employers* by Richard Yerema.

### Community spirit

Once again, TTC employees showed their dedication to the community by raising a record \$964,621 for the United Way.

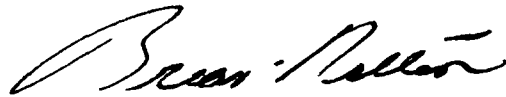
In April, Birchmount Operator Lois Barratt was named the 2000 Transit Community Watcher of the Year. Operator Barratt rescued a 6-year-old boy she found wandering in a field during a blizzard.

### Looking forward

The year 2002 promises to be another busy one for the TTC.

- The TTC is planning additional services to handle the transportation of hundreds of thousands of young people from around the world who will be in Toronto for the bi-annual World Youth Day in July. Pope John Paul II plans to attend as well.
- The Sheppard subway line will officially open in fall 2002. Stations at Sheppard/Yonge, Bayview, Bessarion, Leslie, and Don Mills will serve the 6.4 kilometre route.
- In April, the TTC will open the new Eglinton Division facilities on Comstock Road in Scarborough, which amalgamates the old Eglinton and Danforth bus divisions.

In conclusion, I would like to thank Vice-Chair Mario Silva and Commissioners Gerry Altobello, Betty Disero, Norm Kelly, Joe Mihevc, David Miller, Howard Moscoe, and Sherene Shaw for their dedicated service over the last 12 months. As well, my thanks go to the outstanding employees of the TTC, who continue to make the TTC "The Better Way".



Brian Ashton  
Chair



Consolidated Financial Statements of

**TORONTO TRANSIT COMMISSION**

Year ended December 31, 2001



## AUDITORS' REPORT

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

We have audited the consolidated balance sheet of **Toronto Transit Commission** as at December 31, 2001 and the consolidated statements of operations and 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, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
March 21, 2002.

*Ernst & Young LLP*  
Chartered Accountants

# TORONTO TRANSIT COMMISSION

Consolidated Balance Sheets  
As at December 31

	2001	2000
	(\$000s)	(\$000s)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	26,271	16,676
Accounts receivable		
City of Toronto (note 5)	139,685	124,427
Other	9,513	13,191
Spare parts and supplies inventory	64,179	66,134
Prepaid expenses	2,416	3,164
	242,064	223,592
<b>Long-term</b>		
Long-term investments (note 6)	4,484	4,487
Net capital assets (note 7)	3,609,665	3,443,054
	3,856,213	3,671,133

## LIABILITIES AND ACCUMULATED EQUITY

<b>Current</b>		
Accounts payable and accrued liabilities (note 11)	174,209	177,770
Deferred passenger revenue	27,030	21,780
Unsettled accident claims (note 9)	8,333	8,846
	209,572	208,396
<b>Long-term</b>		
Net capital contributions (note 8)	3,496,454	3,325,571
Employee benefits (note 10)	88,286	77,364
Unsettled accident claims (note 9)	29,067	26,854
Environmental liabilities (note 11)	1,685	2,342
	3,825,064	3,640,527
<b>Accumulated equity</b>	31,149	30,606
	3,856,213	3,671,133

Commitments and contingencies (note 12)  
See accompanying notes to the financial statements

Approved

  
Commissioner

  
Commissioner

# TORONTO TRANSIT COMMISSION

## Consolidated Statements of Operations and Accumulated Equity Years ended December 31

	2001	2000
	(\$000s)	(\$000s)
<b>REVENUE</b>		
Passenger services	639,721	601,992
Property rental	17,619	15,711
Advertising	13,548	12,124
Miscellaneous	7,196	7,533
<b>Total revenue</b>	<b>678,084</b>	<b>637,360</b>
<b>EXPENSES</b>		
Wages, salaries and benefits (note 10)	622,631	587,408
Depreciation	142,669	129,400
Amortization of capital contributions (note 8)	(127,956)	(114,711)
Materials, services and supplies	114,114	105,731
Vehicle fuel	35,423	28,829
Electric traction power	26,570	23,630
Accident claims	11,590	11,384
Property taxes	8,503	9,679
Wheel-Trans contract services	10,391	8,428
<b>Total expenses</b>	<b>843,935</b>	<b>789,778</b>
<b>Net operating costs</b>	<b>(165,851)</b>	<b>(152,418)</b>
Operating subsidies from the City of Toronto (note 4)	166,394	150,453
<b>Net operating surplus/(deficit)</b>	<b>543</b>	<b>(1,965)</b>
Accumulated equity, beginning of year	30,606	32,571
<b>Accumulated equity, end of year</b>	<b>31,149</b>	<b>30,606</b>

See accompanying notes to the financial statements

# TORONTO TRANSIT COMMISSION

Consolidated Statements of Cash Flow  
Years ended December 31

	2001	2000
	(\$000s)	(\$000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from passenger services	644,971	600,942
Other cash received	42,041	35,804
Cash paid to employees	(611,709)	(577,927)
Cash paid to suppliers	(211,771)	(178,552)
Cash paid for accident claims	(9,890)	(10,184)
<b>Net cash used in operating activities</b>	<b>(146,358)</b>	<b>(129,917)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital asset acquisitions	(309,280)	(393,206)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Operating subsidies – conventional transit system		
Received for operating costs	126,625	112,473
Received for capital assets	18,097	17,601
Operating subsidies - Wheel-Trans system		
Received for operating costs	39,769	37,980
Received for capital assets	3,000	2,500
Capital subsidies received	277,742	358,170
<b>Cash provided by financing activities</b>	<b>465,233</b>	<b>528,724</b>
Net Increase in cash and cash equivalents, during year	9,595	5,601
Cash and cash equivalents, beginning of year	16,676	11,075
<b>Cash and cash equivalents, end of year</b>	<b>26,271</b>	<b>16,676</b>

See accompanying notes to the financial statements

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements

Year ended December 31, 2001

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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 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 (note 4). 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.").

### (c) Measurement uncertainty

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### (d) Subsidies

Operating subsidies approved by the City are recognized in the period, to the extent that net operating costs are incurred. Any excess or shortage of the approved subsidy relative to net operating costs is recorded in the TTC Stabilization Reserve Fund, which appears in the accounts of the City. Contributions provided for the purchase of capital assets are deferred and amortized on the same basis as the related capital assets.

### (e) Passenger revenue

Revenue is recognized when cash, tickets and tokens are used by the passenger to secure a ride. 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.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 2001

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**(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 of 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) Long-term investments**

Long-term investments are recorded at cost and written down for declines in value that are other than temporary.

**(j) 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.

**(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

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2001

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investment performance; accrued obligations and related costs of funded benefits are net of plan assets;

- liabilities 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;
- transitional obligations arising from changes in accounting policies are being amortized on a straight-line basis over 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 or 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, with the average remaining service period of active employees being 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.

## (I) Environmental provision

The Commission includes in its liabilities a provision for the cost of compliance with environmental legislation. Those conditions that have been clearly identified as being in non-compliance with environmental legislation and with costs that can be reasonably determined have been accrued. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

## 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, environmental liabilities 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 \$37.4 million (2000 - \$35.7 million). The fair value of the Commission's employee benefits liabilities approximates their book values, calculated as the discounted value of future payments for

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 2001

known claims and estimates of claims incurred-but-not-reported. The fair values of the environmental liabilities approximate their 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 3.0 to 6.5% (2000 - 4.5 to 6.75%).

## 4. SUBSIDIES

The subsidies from the City of Toronto were:

(\$000s)	2001			2000
	Conventional	Wheel-Trans	Total	Total
Operating costs	126,625	39,769	166,394	150,453
Capitalized costs	18,097	3,000	21,097	20,101
City special costs	2,884	-	2,884	2,150
Contribution to TTC				
Stabilization Reserve Fund	-	9	9	12,131
Total Operating Subsidy	147,606	42,778	190,384	184,835
Capital Subsidy	274,545	3,197	277,742	358,170

Capitalized costs represent subsidies primarily for rebuilding 18-year-old buses at the end of their useful lives, for the replacement of Wheel-Trans Orion II buses and for contributions towards other capital projects. These costs are recorded as capital assets.

City special costs represent subsidies reflected in the City's budget that relate to the Commission, such as rents and taxes on commuter parking lots and costs associated with certain subsidized passengers. These subsidies and related expenses are not reflected in these financial statements.

The TTC Stabilization Reserve Fund (the "Fund") was established by the City to stabilize funding over time. Any TTC operating surpluses are contributed to the fund and any operating deficits, to the limit of the Fund's balance and after approval by the City, are covered by a draw from the Fund. The Fund is not reflected in the Commission's financial statements but is recorded in the accounts of the City, as follows:

(\$000s)	2001			2000
	Conventional	Wheel-Trans	Total	Total
Balance, beginning of year	18,708	-	18,708	9,182
Withdrawal by City	-	-	-	(4,200)
Operating surplus	-	9	9	12,131
City adjustments	-	-	-	1,128
Interest earned	1,022	-	1,022	467
Balance, end of year	19,730	9	19,739	18,708

In April 2000, the City agreed that \$4.2 million be withdrawn from the Fund but that \$3.4 million of the draw be restored. This restoration has not yet been implemented by the City.

On September 27, 2001, the Province of Ontario publicly indicated a plan to again provide some capital funding for transit. Details have not yet been finalized.



# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2001

## 5. RECEIVABLE FROM CITY OF TORONTO

The accounts receivable from the City primarily consist of subsidy billings. To simplify the reconciliation of the Commission's accounts to those of the City, the receivable also reflects the netting of certain accounts payable to the City, including a loan due on demand, with accrued interest at prime.

	2001	2000
		(\$000s)
Subsidies receivable	128,675	107,383
Other receivables	36,390	37,236
Other payables	(18,642)	(13,835)
Loan payable	(6,738)	(6,357)
Total receivable	139,685	124,427

## 6. LONG-TERM INVESTMENTS

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 the Commission's insurance carriers. At December 31, 2001, the fair value of the bonds is \$3.1 million (2000 - \$3.1 million) and of the shares is \$4.3 million (2000 - \$3.4 million).

## 7. NET CAPITAL ASSETS

The net capital assets of the Commission are as follows:

	2001	2000
		(\$000s)
Rolling stock	1,457,523	1,360,284
Construction in progress	1,298,239	1,218,284
Subway	1,134,124	1,109,908
Buses	528,651	506,496
Other equipment	341,973	321,608
Buildings	316,537	310,842
Trackwork	313,217	286,912
Power distribution system	125,507	117,170
Land	13,096	13,136
	5,528,867	5,244,640
Less accumulated depreciation	1,919,202	1,801,586
Net capital assets	3,609,665	3,443,054

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 all of the Commission's assets, not including land, in 2001 was \$7.9 billion (2000 - \$7.7 billion).

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 2001

## 8. NET CAPITAL CONTRIBUTIONS

The net capital contributions of the Commission are as follows:

	2001	2000
		(\$000s)
Balance, beginning of year	3,325,571	3,062,011
Capital subsidies received (note 4)	298,839	378,271
Amortization of capital contribution	(127,956)	(114,711)
Balance, end of year	3,496,454	3,325,571

Accumulated amortization recorded to date is \$1,727,815 (2000 - \$1,599,859).

## 9. 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 from third party insurers to cover claims in excess of \$5 million on any one accident.

At December 31, 2001, \$29.6 million (2000 - \$27.0 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.

## 10. EMPLOYEE BENEFITS

The employee benefits liabilities of the Commission are as follows:

	2001	2000
		(\$000s)
Post-employment benefits	71,679	66,171
Other retirement benefits	16,607	11,193
Total employee benefits	88,286	77,364

### (a) Pension plan benefits

The Commission participates in a multi-employer, defined benefit/defined contribution hybrid 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 \$34.8 million in 2001 (2000 - \$34.0 million), which represented 6.25% of members' covered earnings up to the Canada Pension Plan yearly maximum pensionable earnings (\$38,300 for 2001) and 7.85% of covered earnings in excess of this amount. 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. In addition, the Commission contributed \$2.2 million in 2001 (2000 - \$2.2 million) for an early retirement provision.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 2001

Based on the latest actuarial reports, which reflected the terms of the plan, as at January 1, 2001 and January 1, 2000, the Society's records indicated the following:

	Jan 1/01	Jan 1/00
		(\$000s)
Actuarial value of assets	2,496,793	2,278,066
Pension obligations	2,357,160	2,250,472
Funding excess	139,633	27,594

**(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:

	2001	2000
		(\$000s)
Accrued benefit obligation	74,005	70,800
Unamortized transitional obligation	(9,480)	(10,665)
Unamortized net actuarial gain	7,154	6,036
Accrued benefit liability	71,679	66,171
Benefit expense	16,368	13,613
Benefits paid	12,371	10,555
Discount rate	6.50%	6.75%

**(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, 2001

The benefit amounts and actuarial assumptions used are as follows:

	2001	2000
		(\$000s)
Accrued benefit obligation		
Post-retirement medical benefits	52,298	47,600
Supplemental pension benefits, net of plan assets \$2,901 (2000 - \$1,854)	3,529	3,714
	55,827	51,314
Unamortized transitional obligation	(33,636)	(36,461)
Unamortized net actuarial loss & past service costs	(5,584)	(3,660)
Accrued benefit liability	16,607	11,193
Benefit expense	7,624	7,085
Benefits paid	1,955	1,848
Employer contributions to supplemental pension plan	992	810
Employee contributions to supplemental pension plan	54	40
Discount rate	6.50%	6.75%
Expected long-term rate of return on plan assets	2.5%	2.5%

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

## 11. ENVIRONMENTAL LIABILITIES

As an operator of diesel buses that are refuelled on property and an enterprise that repairs and rebuilds buses and other rolling stock, the Commission and its subsidiaries are subject to various federal, provincial and municipal laws and regulations related to the environment. In 1996, an exhaustive environmental audit was conducted for the Commission by an external consultant. Although some remedial work had been undertaken prior to that audit, more comprehensive remedial and pro-active programs were then established and much work has been completed. However, certain programs are still active and these include: garage subsurface remediation, sewer usage compliance, waste management systems, liquid storage and handling compliance, storage tank and containment systems, underground storage removal, and PCB contaminated electrical equipment removal programs. The Commission expects that expenditures of approximately \$9.5 million will be incurred during 2002 and therefore this amount is included in accounts payable and accrued liabilities (2000 - \$6.6 million). In addition, the consolidated balance sheets include a long-term provision for environmental costs of \$1.1 million (2000 - \$1.6 million) to cover the estimated costs of remediating sites with known contamination for which the Commission is responsible. Nevertheless, given that the estimate of environmental liabilities is based on a number of assumptions, actual expenses may

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 2001

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vary. The estimated amounts of future restoration costs is reviewed regularly, based on available information and governing legislation.

## 12. 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) A class action claiming \$500 million in damages, plus interest and costs was served on the Commission on November 30, 2001. The claim is based on alleged exposure by workers to asbestos during construction work at the Sheppard Subway Station. The claim also names the Ministry of Labour and an environmental consultant company as defendants and alleges various violations of the *Occupational Health and Safety Act* and its regulations. The action has not proceeded to the stage involving the motion of certification. At this time, it is not possible to quantify the effect, if any, of this claim on these consolidated financial statements.
- (c) In 2001, the Commission entered into an agreement to purchase 220 low-floor Orion diesel buses, at a total estimated contract cost of \$113.4 million. At December 31, 2001, no vehicles have been received and no progress payments have been made.
- (d) The Commission has contracts for the construction and implementation of various capital projects. At December 31, 2001, these contractual commitments are approximately \$113.5 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, 2001, progress payments of \$22.1 million have been incurred, with 104 vehicles received.
- (f) The Commission leases certain premises under operating lease agreements. The future minimum lease commitments are as follows:

2001	4,600,000
2002	4,900,000
2003	5,100,000
2004	5,400,000
2005	2,400,000
thereafter	0

## 13. COMPARATIVES

Certain comparative figures have been reclassified to conform with the presentation adopted in 2001.

## AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

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

The audited financial statements for **Toronto Transit Commission** and our report thereon are presented in the preceding section of this report. The following information is for purposes of additional analysis and is not required for a fair presentation of the Commission's financial position, results of operations or cash flows. Such information has been subjected to the auditing procedures applied in our examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Toronto, Canada,  
March 21, 2002.

*Ernst & Young LLP*

Chartered Accountants

**TORONTO TRANSIT COMMISSION  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2001**

\$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT CONSULTANTS LTD (TTCL)
<b>STATEMENT OF OPERATIONS</b>			
<b>REVENUE</b>			
Passenger services	(637,491)	(2,230)	-
Property rental	(16,300)	-	-
Advertising	(13,548)	-	-
Miscellaneous	(3,285)	-	(5)
<b>Total revenue</b>	<b>(670,624)</b>	<b>(2,230)</b>	<b>(5)</b>
<b>EXPENSES</b>			
Wages, salaries and benefits	594,935	24,747	-
Depreciation	142,250	-	-
Amortization of capital contributions	(127,956)	-	-
Materials, services and supplies	107,858	5,462	-
Vehicle fuel	34,138	1,285	-
Electric traction power	26,570	-	-
Accident Claims	11,436	114	-
Property taxes	8,018	-	-
Wheel-Trans contract services	-	10,391	-
Interest expense net	-	-	-
Income tax	-	-	-
<b>Total expenses</b>	<b>797,249</b>	<b>41,999</b>	<b>-</b>
<b>Net operating costs (income)</b>	<b>126,625</b>	<b>39,769</b>	<b>(5)</b>
<b>Operating subsidies</b>	<b>(126,625)</b>	<b>(39,769)</b>	<b>-</b>
<b>Net operating shortfall (surplus)</b>	<b>-</b>	<b>-</b>	<b>(5)</b>
<b>Accumulated (equity)deficit, beginning of year</b>	<b>(31,143)</b>	<b>-</b>	<b>(27)</b>
<b>Accumulated (equity)deficit, end of year</b>	<b>(31,143)</b>	<b>-</b>	<b>(32)</b>
Not on TTC Financial Statements			
Operating Subsidies received (as above)	126,625	39,769	-
Operating Subsidies for Capitalized Costs	18,097	3,000	-
City Special Costs	2,884	-	-
Contribution to TTC Stabilization Reserve Fund	-	9	-
<b>Total City Operating Subsidy</b>	<b>147,606</b>	<b>42,778</b>	<b>-</b>
<b>BALANCE SHEET</b>			
<b>Current Assets</b>			
Cash and cash equivalents	22,168	-	132
Accounts receivable			
The City of Toronto	139,709	-	-
Other	9,949	-	-
Spare parts and supplies inventory	64,179	-	-
Indemnity receivable from the TTC	-	-	-
Prepaid expenses	2,416	-	-
	238,421	-	132
<b>Long-term Assets</b>			
Long-term investments	4,484	-	-
Investment in subsidiary	9,634	-	-
<b>Net capital assets</b>	<b>3,601,527</b>	<b>-</b>	<b>-</b>
	3,854,066	-	132
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	(172,784)	-	-
Deferred passenger revenue	(27,030)	-	-
Unsettled accident claims	(8,283)	-	-
Income taxes payable	-	-	-
Due to parent	-	-	-
	(208,097)	-	-
<b>Long-term Liabilities</b>			
Net capital contributions	(3,496,454)	-	-
Employee benefits	(88,286)	-	-
Advances from parent	-	-	-
Unsettled accident claims	(29,017)	-	-
Other	(1,069)	-	-
	(3,822,923)	-	-
<b>Capital Stock</b>	<b>-</b>	<b>-</b>	<b>(100)</b>
<b>Accumulated equity</b>	<b>(31,143)</b>	<b>-</b>	<b>(32)</b>
	(3,854,066)	-	(132)

TORONTO COACH TERMINAL INC. (TCTI)	TTC INSURANCE COMPANY LTD (TTCIC)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
-	-	(639,721)	-	(639,721)
(1,319)	-	(17,619)	-	(17,619)
-	-	(13,548)	-	(13,548)
(4,648)	(41)	(7,979)	783	(7,196)
(5,967)	(41)	(678,867)	783	(678,084)
2,949	-	622,631	-	622,631
419	-	142,669	-	142,669
-	-	(127,956)	-	(127,956)
786	41	114,147	(33)	114,114
-	-	35,423	-	35,423
-	-	26,570	-	26,570
-	-	11,550	40	11,590
485	-	8,503	-	8,503
-	-	10,391	-	10,391
783	-	783	(783)	-
7	-	7	(7)	-
5,429	41	844,718	(783)	843,935
(538)	-	165,851	-	165,851
-	-	(166,394)	-	(166,394)
(538)	-	(543)	-	(543)
6,057	-	(25,113)	(5,493)	(30,606)
5,519	-	(25,656)	(5,493)	(31,149)
-	-	166,394	-	-
-	-	21,097	-	-
-	-	2,884	-	-
-	-	9	-	-
-	-	190,384	-	-
3,071	900	26,271	-	26,271
-	-	139,709	(24)	139,685
56	-	10,005	(492)	9,513
-	-	64,179	-	64,179
-	29,552	29,552	(29,552)	-
-	-	2,416	-	2,416
3,127	30,452	272,132	(30,068)	242,064
-	-	4,484	-	4,484
900	-	10,534	(10,534)	-
8,138	-	3,609,665	-	3,609,665
12,165	30,452	3,896,815	(40,602)	3,856,213
(1,433)	-	(174,217)	8	(174,209)
-	-	(27,030)	-	(27,030)
(50)	(29,552)	(37,885)	29,552	(8,333)
(16)	-	(16)	16	-
(492)	-	(492)	492	-
(1,991)	(29,552)	(239,640)	30,068	(209,572)
-	-	(3,496,454)	-	(3,496,454)
-	-	(88,286)	-	(88,286)
(14,027)	(800)	(14,827)	14,827	-
(50)	-	(29,067)	-	(29,067)
(616)	-	(1,685)	-	(1,685)
(16,684)	(30,352)	(3,869,959)	44,895	(3,825,064)
(1,000)	(100)	(1,200)	1,200	-
5,519	-	(25,656)	(5,493)	(31,149)
(12,165)	(30,452)	(3,896,815)	40,602	(3,856,213)





## Salary Disclosure – 2001

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 2001.

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Warren H. Bartram	General Supt. - Track & Structure	126,484	3,253
Richard G. Beecroft	Chief Auditor	105,183	3,253
Andy G. Bertolo	Chief Project Mgr. – Sheppard Subway	121,157	3,253
Scott Blakey	Manager – Human Resources	111,875	3,253
Robert A. Boutilier	Deputy General Manager – Surface Ops	136,961	7,609
William D. Brown	Manager - Vehicle Engineering	114,841	3,253
Paul F. Buttigieg	Chief Accountant – Financial Services	114,081	76
John D. Cannell	Manager - Pension Fund Society	114,841	3,253
Allen J. Chocorlan	Manager - Materials and Procurement	115,969	3,253
Rick Cornacchia	Deputy General Manager – Subway Ops	140,141	7,609
Kathryn Dean	Manager – Training	114,841	3,253
Dave Dixon	General Supt. – Bus Maintenance	126,484	3,253
Richard C. Ducharme	Chief General Manager	182,444	13,807
Derick Finn	General Supt. – Signals/Elect./Comms.	126,484	4,086
William G. Frost	Manager - Support Services	113,786	3,253
Chris Heinz	Deputy Chief Information Officer	103,523	1,135
Lynn I. Hilborn	Deputy General Manager - Corporate	140,141	7,609
Ian Lane	General Supt. – Streetcars	125,571	3,253
Brian M. Leck	General Counsel	126,484	3,253
Don Leger	General Supt. - Plant Maintenance	126,484	3,253
Geoffrey Marinoff	General Supt. – Rail Cars & Shops	101,622	3,253
Karen E. McGuire	Associate General Counsel	108,371	3,253
Thomas G. Middlebrook	Chief Engineer	122,654	3,253
Paul Millett	General Supt. – Subway Transportation	126,484	3,253
John O’Grady	Manager – Safety	114,385	3,253
Michael A. Roche	Chief Financial Officer	122,465	3,253
Vincent Rodo	General Secretary/Gen. Manager - Exec.	150,665	13,807
John A. Sepulis	General Manager - Engr. & Construction	141,912	13,807
Howard Smith	General Supt. – Surface Transportation	104,597	3,138
I. Mitch Stambler	Manager – Service Planning	114,841	3,253
Robert J. Thacker	General Supt. - Wheel-Trans	126,484	3,253
Michael J. Walker	Chief Security Officer	114,841	3,221
Kirsten Watson	Senior Director – Employee Relations	109,594	2,123
Gary M. Webster	General Manager - Operations	152,425	13,807

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

	2001	2000	1999
<b>OPERATING STATISTICS</b>			
(regular service inside City)			
Passenger Trips (Millions)	420.0	410.6	392.6
Basic Adult Ticket Fare (at December 31) (\$)	1.80	1.70	1.70
Average Number of Employees (including TCTI)	10,191	10,095	10,049
Average Hourly Wages & Benefits per Operator (\$)	32.29	31.25	30.20
Kilometres Operated (Millions)			
Bus	97.7	95.0	94.4
Subway Car	75.5	74.4	67.4
Streetcar	11.7	11.3	11.4
Trolley Coach	0.0	0.0	0.0
Scarborough RT	4.4	4.2	3.9
<b>Total Kilometres Operated</b>	<b>189.3</b>	<b>184.9</b>	<b>177.2</b>
<b>OPERATING REVENUE STATISTICS</b>			
Operating Revenue – including property rental, etc. (\$ Millions)	670.6	630.2	585.2
Operating Revenue per Passenger Trip (\$)	1.60	1.53	1.49
Operating Revenue per Kilometre (\$)	3.54	3.41	3.30
<b>OPERATING EXPENSE STATISTICS</b>			
Operating Expenses (\$ Millions)	797.2	745.1	706.8
Operating Expense per Passenger Trip (\$)	1.90	1.81	1.80
Operating Expense per Kilometre (\$)	4.21	4.03	3.99
<b>OPERATING SUBSIDY STATISTICS</b>			
Operating Subsidy (\$ Millions)	144.7 <sup>11</sup>	130.1 <sup>10</sup>	139.3 <sup>9</sup>
Operating Subsidy per Passenger Trip (\$)	0.34	0.32	0.35
Operating Subsidy per Kilometre (\$)	0.76	0.70	0.79
<b>REVENUE/COST RATIO</b>	<b>82.3% <sup>9</sup></b>	<b>82.6% <sup>9</sup></b>	<b>80.8% <sup>9</sup></b>
<b>CAPITAL ASSETS (Conventional &amp; Wheel-Trans)</b>			
Investment in Capital Assets at December 31 (\$ Millions)			
Gross Investment (before contributions & depreciation)	5,514.5	5,230.3	4,849.2
City & Provincial Contributions	(5,224.3)	(4,925.4)	(4,547.2)
<b>TTC Investment (before depreciation)</b>	<b>290.2</b>	<b>304.9</b>	<b>302.0</b>
<b>PASSENGER VEHICLE FLEET</b>			
(Conventional & Wheel-Trans, owned or leased and in service December 31)			
Buses	1,480	1,468	1,483
Subway Cars	692	672	660
Streetcars	248	248	248
Trolley Coaches	0	0	0
Scarborough RT Cars	28	28	28
Wheel-Trans Buses	142	149	150
<b>Total Vehicle Fleet</b>	<b>2,590</b>	<b>2,565</b>	<b>2,569</b>

**Notes:**

1. 1992 and 1993 revenue did not include draws from the Transit Improvement Reserve Fund.
2. The lower average hourly wages & benefits for Operators in 1994 and 1995 related to the Social Contract savings.
3. 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.
4. 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.
5. 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.
6. 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 operating subsidy, \$1.9 million for City special costs & a \$1.1 million contribution to the Stabilization Reserve Fund.

1998	1997	1996	1995	1994	1993	1992
388.7	379.9	372.4	388.2	388.3	393.5	404.3
1.60	1.60	1.60	1.50	1.30	1.30	1.30
9,462	9,133	9,129	9,459	9,621	9,717	10,051
29.06	28.99	29.72	28.25 <sup>3</sup>	28.08 <sup>2</sup>	28.75	28.30
94.5	93.7	93.7	100.9	100.5	99.0	102.1
67.6	65.5	63.9	62.8	63.8	63.6	65.1
12.1	10.6	10.9	11.1	11.2	11.5	12.0
0.0	0.0	0.0	0.0	0.0	0.7	0.5
4.1	3.7	3.6	3.7	3.6	3.7	3.5
178.3	173.5	172.1	178.5	179.1	178.5	183.2
563.9	559.4	514.8	457.3	444.8	447.0 <sup>1</sup>	446.4 <sup>1</sup>
1.45	1.47	1.38	1.18	1.15	1.14	1.10
3.16	3.22	2.99	2.56	2.48	2.50	2.44
702.8	703.5	684.0	671.8	671.9	681.1	691.0
1.81	1.85	1.84	1.73	1.73	1.73	1.71
3.94	4.05	3.97	3.76	3.75	3.82	3.77
146.3 <sup>6</sup>	158.9 <sup>5</sup>	169.2 <sup>4</sup>	214.6 <sup>3</sup>	207.1	234.1	244.6
0.38	0.42	0.45	0.55	0.53	0.60	0.61
0.82	0.92	0.98	1.20	1.16	1.31	1.34
79.4% <sup>7</sup>	80.4%	75.7%	69.3%	69.4%	65.7%	66.2%
4,258.4	3,721.2	3,353.6	3,042.4	2,830.6	2,605.5	2,445.3
(3,951.8)	(3,420.8)	(3,055.9)	(2,738.8)	(2,532.9)	(2,317.0)	(2,161.5)
306.6	300.4	297.7	303.6	297.7	288.5	283.8
1,498	1,468	1,525	1,542	1,564	1,564	1,592
638	620	640	622	622	622	622
248	248	248	248	267	267	267
0	0	0	0	0	0	40
28	28	28	28	28	28	28
140	140	140	140	140	141	140
2,552	2,504	2,581	2,580	2,621	2,622	2,689

7. In previous year, 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).

8. 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.

9. The 1999, 2000 and 2001 revenue/cost ratios were calculated as operating revenue/operating expenses (including capitalized costs).

10. In 2000, the total subsidy paid by the City was \$144.3 million, consisting of \$112.5 million for the operating subsidy, \$17.6 million for capitalized costs, \$2.1 million for the City special costs and a \$12.1 million contribution to the Stabilization Reserve Fund.

11. In 2001, the total subsidy paid by the City was \$147.6 million, consisting of \$126.6 million of the operating subsidy, \$18.1 million for capitalized costs and \$2.9 million for City special costs.

# Management Directory – 2001

## **OFFICERS AND SENIOR OFFICIALS**

**Richard C. Ducharme**  
Chief General Manager

**Robert A. Boutilier**  
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

**William D. Brown**  
Manager  
Vehicle Engineering

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

**John D. Cannon**  
Chief Information Officer

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

**Kathryn Dean**  
Manager  
Training

**Dave Dixon**  
General Superintendent  
Bus Maintenance

**Derick Finn**  
General Superintendent  
Signals/Electrical/  
Communications

**William G. Frost**  
Manager  
Support Services

**Bob Hughes**  
Chief Marketing Officer

**Ian Lane**  
General Superintendent  
Streetcars

**Don Leger**  
General Superintendent  
Plant Maintenance

**Geoff Marinoff**  
General Superintendent  
Rail Cars and Shops

**Thomas G. Middlebrook**  
Chief Engineer

**Paul Millett**  
General Superintendent  
Subway Transportation

**John P. O'Grady**  
Manager  
Safety

**Michael A. Roche**  
Chief Financial Officer

**Howard Smith**  
General Superintendent  
Surface Transportation

**I. Mitchell Stambler**  
Manager  
Service Planning

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

**Michael J. Walker**  
Chief Security Officer

**Charles W. Wheeler**  
Manager  
Property Development

## **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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