# ANNUAL REPORT

## 2004

TORONTO TRANSIT COMMISSION

# 2004 ANNUAL REPORT
## Toronto Transit Commission

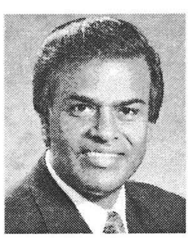
As at December 31, 2004

**Chair**
Howard Moscoe

**Vice-Chair**
Joe Mihevc

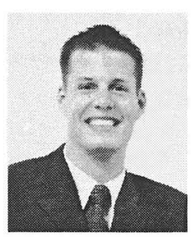
### Commissioners

Brian Ashton

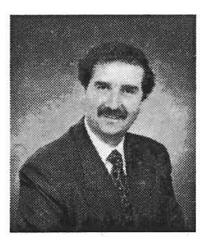


Bas Balkissoon

Sandra Bussin



Adam Giambrone



Peter Li Preti

Mayor David Miller

David Shiner

## Letter from the Chair

DATE: June, 2005

TO: MAYOR DAVID MILLER AND COUNCILLORS OF THE CITY OF TORONTO

It is my privilege to submit the 2004 Annual Report for the Toronto Transit Commission (the "TTC").

2004 was a most interesting year for the TTC, as we witnessed a tri-partite commitment from the provincial, federal, and local governments concerning funding for public transit.

- The 50th anniversary of the Yonge Street Subway, March 30th was a doubly historic day. The Right Honourable Paul Martin, Prime Minister of Canada, the Honourable Dalton McGuinty, Premier of the Province of Ontario, and His Worship David Miller, Mayor of the City of Toronto, met in Hillcrest's W.E.P. Duncan Shop to announce their One Billion Dollar contribution to the TTC.

- On October 22, Premier McGuinty announced that a portion of the gasoline tax would be handed over to municipalities for public transit. The TTC's share of this provincial gas tax will amount to approximately $91 million in 2005, escalating to $162 million by 2007, well short of what is required to maintain the current rolling stock of TTC vehicles and infrastructure, and to increase ridership through the implementation of the Ridership Growth Strategy.

However, the fact is that the TTC requires approximately $ 4 billion dollars as part of its 10-Year capital forecast. This funding is required to maintain a state-of-good repair. At the end of 2004, the average age of our bus fleet is 13 years. Close to 40 per cent of our buses are 18 years or older. Replacements are required now.

These funding announcements are a definite step in the right direction. The TTC remains confident that all three levels of government will keep their promises. In the Speech from the Throne in February, Her Excellency the Right Honourable Adrienne Clarkson, Governor General of Canada, stated that the federal government will commit to a "new deal for cities".

A new deal for cities is crucial for Toronto and for the TTC. TTC customers pay almost 80 per cent of the operating cost of transit at the fare box, the highest ratio throughout Canada and the United States.

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This past year was also a very historic period for Toronto and the TTC, as on March 30th, we marked the 50th anniversary of Canada's first subway. Back on March 30, 1954, the Honourable Leslie Frost, then Premier of Ontario and His Worship Allan Lamport, then Mayor of the City of Toronto, pulled the switch, to send the first subway train on its way from Eglinton to Union station. Our predecessors on Toronto Council back in the late 40's had the vision of the future and an understanding of what a new subway system would mean, not only to the people of Toronto, but to the entire country.

Construction of the Yonge Street subway began on September 8, 1949, and, on opening day, 250,000 people rode the "Red Rocket" for the first time. Since the official opening 50 years ago, our subway system has expanded from 7.4 kilometres to 68.3 kilometres, including the Scarborough RT. If Toronto is the heart that keeps the economy of Ontario strong, the subway is the city's backbone.

The TTC was an active participant in the Toronto Board of Trade's "Enough of Not Enough" campaign, which asked Greater Toronto Area ("GTA") residents and businesses to write to their Members of Parliament and Members of the Provincial Parliament, demanding a fair return to the funding of Canada's largest city, especially in light of the fact that Toronto pays $9 billion more in taxes than it receives in services. In the Board of Trade's 2004 Member Survey, 62 per cent of respondents believed reducing gridlock should be a top priority, and rated upgrading and improving public transit as a very high priority.

At a major Board of Trade meeting on February 16, Mayor David Miller launched a TTC video, titled "End of the Line". Media coverage for this event was extensive and the video proved to be a major success. The video dramatically portrayed years of funding neglect by the provincial and federal levels of government, and juxtaposed the TTC with major transit properties such as Chicago, Philadelphia and New York, where the U.S. federal government pays more than 50 per cent of capital funding. A key moment of the video occurred when William Millar, President of the American Public Transportation Association, stated that U.S. transit officials used to flock to Toronto to see how a transit system should be run, but now ask "....What happened?"

Following 2003 when Toronto was hit with Severe Acute Respiratory Syndrome ("SARS") and a major power outage, both of which contributed to a decline in ridership, 2004 has seen the ridership trend change. More people are returning to buses, subways and streetcars, with ridership in 2004 reaching 418.1 million, an increase of 12.7 million over 2003.

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Innovations:

The TTC continues with new initiatives in an attempt to attract more riders. The Volume Incentive Pass Program ("VIP"), which allows for discounted monthly passes for participating post-secondary institutions and businesses, continues as a pilot project. The VIP program started in 2003, but has grown significantly in 2004. In 2004, the TTC introduced, on a trial basis, the sale of special weekly passes over the Christmas, New Year and winter school break periods. Beginning in September 2005, weekly transferable passes will be available every week of the year.

A key component in the ridership increase is the "Ridership Growth Strategy", which is now being implemented. The *Strategy* is the TTC's blueprint for transit investment for the next decade, and is tied closely to the City's Official Plan.

The *Ridership Growth Strategy* outlines a number of initiatives including:

expanding the bus fleet, increasing peak-period service, constructing rights-of-way, and implementing new and discounted fares – all aimed at increasing ridership. In 2004, service was increased on 12 routes, as part of the *Strategy*.

As well, major changes were made to 25 routes to improve service for customers.

After months of public consultation, City Council approved the St. Clair streetcar right-of-way, which will result in better service and bring more people to public transit.

During the past year, the TTC became more accessible. Elevators opened at Main Street and Eglinton stations. The TTC's elevator installation project is scheduled to build another 15 elevators at 8 new stations by 2007. Those stations include Broadview, Eglinton West, Jane, Lawrence West, Osgoode, St. Clair, York Mills and North York Centre. By 2007, 29 of the TTC's 69 subway/rt stations will be accessible.

Initiatives contained in the *Ridership Growth Strategy* will result in continued increases in ridership, which will benefit both the community and the environment.

In June, the TTC was honoured with three National Transportation Week Awards, one of which was for the handling of the SARS crisis in 2003.

For the fifth year in a row, the TTC has been listed in "Canada's Top 100 Employers", by author Richard Yerema. The TTC was recognized in areas such as health, financial and family benefits, training, skills development, community involvement, and corporate communications.

TTC Employees demonstrated tremendous community spirit, by pitching in and helping to clean-up as part of Mayor Miller's 20 minute clean-up on April 23rd.

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It is the dedicated workforce that makes the TTC one of the best transit systems in the world. In 2004, TTC employees and pensioners set an amazing new TTC record, raising a record $1,081,159 for the Greater Toronto United Way Campaign, demonstrating once again that the TTC also stands for "Transit That Cares". My sincerest congratulations to all for a tremendous United Way campaign and a great year's work.

In conclusion, I would like to thank my fellow Commissioners for their dedication and commitment: Joe Mihevc (Vice-Chair), Brian Ashton, Bas Balkissoon, Sandra Bussin, Adam Giambrone, Peter Li Preti, David Shiner, and Mayor David Miller.

Howard Moscoe

Howard Moscoe
Chair

Consolidated Financial Statements of

# TORONTO TRANSIT COMMISSION

Year ended December 31, 2004

# 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, 2004 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, 2004 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
Chartered Accountants

Toronto, Canada,
March 11, 2005.

# TORONTO TRANSIT COMMISSION

Consolidated Balance Sheets
As at December 31

| | 2004 ($000s) | 2003 ($000s) |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | 25,297 | 31,981 |
| Accounts receivable | | |
| City of Toronto (note 4) | 196,201 | 142,198 |
| Other | 15,922 | 16,877 |
| Spare parts and supplies inventory | 65,214 | 66,854 |
| Prepaid expenses | 11,317 | 5,087 |
| | 313,951 | 262,997 |
| **Long-term** | | |
| Long-term investments (note 5) | 2,554 | 4,215 |
| Net capital assets (note 6) | 3,600,908 | 3,539,939 |
| | 3,917,413 | 3,807,151 |
| **LIABILITIES AND ACCUMULATED EQUITY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (note 7) | 171,215 | 148,656 |
| Deferred passenger revenue | 28,140 | 30,540 |
| Unsettled accident claims (note 8) | 12,727 | 13,656 |
| | 212,082 | 192,852 |
| **Long-term** | | |
| Net capital contributions (note 9) | 3,497,383 | 3,433,385 |
| Employee benefits (note 10) | 149,653 | 126,803 |
| Unsettled accident claims (note 8) | 36,073 | 31,644 |
| Environmental and other liabilities (note 7) | 7,025 | 7,526 |
| | 3,902,216 | 3,792,210 |
| Commitments and contingencies (note 13) | | |
| **Accumulated equity** | 15,197 | 14,941 |
| | 3,917,413 | 3,807,151 |

See accompanying notes to the consolidated financial statements

Approved: ______________________
Commissioner

______________________
Commissioner

# TORONTO TRANSIT COMMISSION

Consolidated Statements of Operations and Accumulated Equity
Years ended December 31

| | 2004 ($000s) | 2003 ($000s) |
|---|---|---|
| **REVENUE** | | |
| Passenger services | 685,425 | 661,263 |
| Advertising | 18,651 | 16,670 |
| Outside City services | 12,987 | 12,399 |
| Property rental | 11,650 | 10,970 |
| Miscellaneous | 10,161 | 8,649 |
| Total revenue | 738,874 | 709,951 |
| **EXPENSES** | | |
| Wages, salaries and benefits (note 10) | 735,151 | 697,137 |
| Depreciation | 212,286 | 218,676 |
| Amortization of capital contributions (note 9) | (195,844) | (205,031) |
| Materials, services and supplies | 116,726 | 111,447 |
| Vehicle fuel | 34,449 | 36,374 |
| Electric traction power | 29,767 | 31,788 |
| Accident claims | 18,658 | 21,872 |
| Utilities | 15,629 | 17,912 |
| Wheel-Trans contract services | 14,154 | 12,388 |
| Property taxes | 9,634 | 9,285 |
| Total expenses | 990,610 | 951,848 |
| **Net operating costs** | (251,736) | (241,897) |
| Operating subsidies (note 11) | 251,992 | 224,903 |
| **Net operating surplus/(deficit)** | 256 | (16,994) |
| Accumulated equity, beginning of the year | 14,941 | 31,935 |
| **Accumulated equity, end of the year** | 15,197 | 14,941 |

See accompanying notes to the consolidated financial statements

# TORONTO TRANSIT COMMISSION

Consolidated Statements of Cash Flows
Years ended December 31

| | 2004 ($000s) | 2003 ($000s) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from passenger services | 683,025 | 655,663 |
| Other cash received | 54,404 | 47,787 |
| Cash paid to employees | (704,423) | (675,933) |
| Cash paid to suppliers | (189,036) | (236,072) |
| Cash paid for accident claims | (15,158) | (15,272) |
| **Net cash used in operating activities** | (171,188) | (223,827) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital asset acquisitions | (292,924) | (215,211) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Operating subsidies received | 176,580 | 246,980 |
| Capital subsidies received | 280,848 | 196,620 |
| **Cash provided by financing activities** | 457,428 | 443,600 |
| (Decrease)/Increase in cash and cash equivalents during the year | (6,684) | 4,562 |
| Cash and cash equivalents, beginning of the year | 31,981 | 27,419 |
| **Cash and cash equivalents, end of the year** | 25,297 | 31,981 |

See accompanying notes to the consolidated financial statements

## 1. NATURE OF OPERATIONS

The Toronto Transit Commission (the "Commission") was established on January 1, 1954 to consolidate and co-ordinate all forms of local transportation within the City of Toronto ("City"), except railways and taxis. As confirmed in the City of Toronto Act (1997), the Commission shall plan for the future development of local passenger transportation so as to best serve its inhabitants and the City and council are not entitled to exercise a power related to local transportation, except as it relates to Toronto Islands. However, from a funding perspective, the Commission functions as one of the agencies, boards, and commissions of the City and is dependent upon 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 11). The Commission is not subject to income and capital taxes, receives a full rebate for the goods and services tax ("GST"), 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 consolidated 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### (d) Subsidies

Operating subsidies are based on the operating budget approved by the City and are recognized in the period, to the extent that net operating costs are incurred. Contributions provided for the purchase of capital assets are amortized on the same basis as the related assets.

### (e) Passenger services 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.

**(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 inventory is valued at weighted-average cost, net of allowance for obsolete and excess inventory.

**(h) Capital assets and depreciation**

Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method, based on the estimated useful lives of major assets, as follows:

| Asset | Years |
|---|---|
| Subway | 20-65 |
| Rolling stock | 20-30 |
| Buses | 8-18 |
| Buildings | 12-40 |
| Other equipment | 3-25 |
| Trackwork | 10-25 |
| Power distribution system | 25-30 |

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

In addition to direct costs attributable to capital projects, the Commission capitalizes certain internal costs which are related to the acquisition, construction, major rehabilitation, or development of those related capital assets.

**(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's contributions to a multi-employer, defined benefit/defined contribution hybrid pension plan are expensed when contributions are made.

The projected benefits method prorated on service is used to determine the accrued benefit obligations of the Commission's defined benefit supplemental pension and post-retirement benefit plans because these benefits are affected by future salary levels and health care cost escalations. Management's best estimates of retirement ages of employees, future salary levels, expected health care cost escalations, and plan investment performance are used in the valuation.

The accrued benefit obligations of the post-employment benefit plans are recognized when the event that obligates the Commission occurs. The obligations include income replacement, health and dental benefit claims, and fees and taxes paid to independent administrators of these plans, all calculated on a present value basis.

Accrued benefit obligations and costs are determined using discount rates that are consistent with the market rates of high quality debt instruments, with cash flows that match the expected benefit payments.

The expected return on assets is based on the fair value of the assets for the supplemental pension plan.

For the supplemental pension and post-retirement benefit plans, 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 over the average remaining service period of active employees. The average remaining service periods of active employees are 12 years (2003 – 12 years) for the supplemental pension plans and 11 years (2003 – 14 years) for the post-retirement benefit plans. The net actuarial gain or loss for post-employment benefits are amortized on a straight-line basis over the average expected period during which benefits will be paid, which are 10 years (2003 – 10 years) for workplace safety insurance benefits and 12 years (2003 – 7 years) for long-term disability benefits.

Past service costs arising from a plan amendment or plan initiation are amortized on a straight-line basis over the average remaining service life of active employees, as of the effective date of the amendment or initiation.

On January 1, 2000, the Commission adopted the new accounting standard of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3461, using the prospective application method. The Commission is amortizing the transitional obligation, arising from the changes in accounting policies, 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, namely 14 years.

**(l) 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.

**(m) New accounting standard**

In March 2003, the CICA issued Handbook Section 3110, "Asset Retirement Obligations". This section requires that the fair value of an asset retirement obligation be recorded as a liability when there is a legal obligation associated with a potential removal activity. This section is effective for the Commission's fiscal year beginning January 1, 2004. The Commission has not recorded any such obligation in 2004 and does not expect this section to have a material impact on its financial statements in future years.

## 3. FINANCIAL INSTRUMENTS

The main categories of financial instruments held by the Commission are cash and cash equivalents, accounts receivable, long-term investments, and accounts payable. The fair values of these items approximate their book values.

## 4. RECEIVABLE FROM CITY OF TORONTO AND RELATED PARTY TRANSACTIONS

The Commission is related to the City and its agencies, boards, and commissions in terms of the City's ability to affect the operating, investing, and financing policies of these entities. The Commission enters into transactions with these related parties in the normal course of business under normal trade terms. The accounts receivable from the City and its related entities primarily consist of subsidy billings. To simplify the reconciliation of the Commission's accounts to those of the City, the total receivable is presented net of certain accounts payable to the City, including a loan due on demand, with accrued interest at prime.

| | 2004 | 2003 |
|---|---|---|
| | ($000s) | |
| Subsidies receivable | 220,960 | 154,558 |
| Other receivables | 16,989 | 24,614 |
| Other payables | (34,104) | (29,624) |
| Loan payable | (7,644) | (7,350) |
| Total receivable | 196,201 | 142,198 |

Included in other receivables is an amount of $12.3 million arising from the transfer of Commission-owned property to the City in 1983. Due to uncertainty about its ability to collect the entire amount, the Commission recorded a $5.2 million allowance in 2004 to reflect the estimated fair value of the receivable.

Transactions with the City and its related entities, other than the subsidies (which are disclosed in notes 11 and 12), include the purchase of electric traction power and other materials, services, and supplies in the amount of $69.4 million (2003 - $75.6 million).

## 5. LONG-TERM INVESTMENTS

The shares in a publicly traded company, as the result of the de-mutualization of one of the Commission's insurance carriers, were sold during 2004. The long-term investments now consist of a City of Toronto bond, with an 8.65% yield and a June 8, 2015 maturity, and a Province of Ontario bond, with a 5.375% yield and a December 2, 2012 maturity. At December 31, 2004, the fair value of these long-term investments is $2.8 million (2003 - $6.8 million).

## 6. NET CAPITAL ASSETS

The Commission's cost of capital assets, net of accumulated depreciation, is as follows:

| | 2004 | 2003 |
|---|---|---|
| | ($000s) | |
| Subway | 2,342,364 | 2,202,433 |
| Rolling stock | 1,485,316 | 1,475,002 |
| Buses | 640,909 | 555,299 |
| Buildings | 522,337 | 366,914 |
| Other equipment | 453,232 | 430,907 |
| Trackwork | 425,055 | 384,458 |
| Construction in progress | 197,542 | 393,123 |
| Power distribution system | 151,281 | 141,896 |
| Land | 13,086 | 13,086 |
| | 6,231,122 | 5,963,118 |
| Less accumulated depreciation | 2,630,214 | 2,423,179 |
| Net capital assets | 3,600,908 | 3,539,939 |

These costs include the capitalization of certain internal costs. Land purchased directly by the City, for the Commission's use, is accounted for in the City's records. In 2004, the City created a Land Acquisition Reserve Fund for such future purchases and deposited the $1.7 million proceeds from the sale of a property. The City also created a Capital Financing Reserve Fund of $6.3 million to fund the acquisition of 12 buses in 2005. At June 1, 2004 the insured value of all of the Commission's assets, not including land, was $9.0 billion (2003 - $8.7 billion).

## 7. 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, the garage subsurface remediation program is still active.

The Commission expects that expenditures of approximately $0.9 million will be incurred during 2005 and therefore this amount is included in accounts payable and accrued liabilities (2003 - $1.0 million). In addition, the consolidated balance sheet includes a long-term provision for environmental costs of $6.5 million (2003 - $7.0 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 vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

## 8. UNSETTLED ACCIDENT CLAIMS

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

At December 31, 2004, $38.4 million (2003 - $35.7 million) of the unsettled accident claims liability is related to the Insurance Co.'s payable for all automobile claims incurred. This payable is guaranteed by the City.

## 9. NET CAPITAL CONTRIBUTIONS

The net capital contributions of the Commission are as follows:

| | 2004 | 2003 |
|---|---|---|
| | ($000s) | |
| Balance, beginning of year | 3,433,385 | 3,432,578 |
| Capital subsidies (note 12) | 271,838 | 217,931 |
| Amortization | (195,844) | (205,031) |
| Capital subsidy related to disposed assets | (11,996) | (12,093) |
| Balance, end of year | 3,497,383 | 3,433,385 |
| | | |
| Accumulated amortization recorded to date | 2,305,482 | 2,109,637 |

## 10. EMPLOYEE BENEFITS

**Description of benefit plans**
The Commission has a number of benefit plans which provide employees with pension, post-retirement, and post-employment benefits.

The Commission participates in a multi-employer, defined benefit/defined contribution hybrid pension plan that covers substantially all of its employees. The pension plan 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 Society also administers defined benefit supplemental 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 (Canada).

Post-retirement benefits, consisting of basic health care and dental coverage, are available to employees retiring from the Commission with at least ten years of service and receiving a pension from the Society. Dental benefits are limited to employees retiring on or after January 1, 2003.

Post-employment benefits are available to active employees in the form of long-term disability and workplace safety insurance ("WSI") plans. The long-term disability plan is self-insured by the Commission and is administered by an independent insurance carrier. As a Schedule 2 employer under the Ontario Workplace Safety and Insurance Act, the Commission fully finances its WSI costs.

**Measurement dates and dates of actuarial valuations**
The accrued benefit obligations and the fair value of assets are measured as at December 31 of each year.

For the pension benefit plans, the effective date of the most recent actuarial valuations for funding purposes was January 1, 2004. The effective date of the next required actuarial valuation for funding purposes is January 1, 2007.

For the post-retirement and post-employment benefit plans, the effective date of the most recent actuarial valuation for accounting purposes was January 1, 2004. This valuation was used to project the accrued benefit obligations and costs for the current year end. The next accounting valuation is expected to be performed as at January 1, 2008.

**Reconciliation of funded status to the liability recorded in the consolidated financial statements**

| | Defined Benefit Supplemental Pension Plans | Post-Retirement Plans | Post-Employment Plans | **2004** Total |
|---|---|---|---|---|
| | | | ($000s) | |
| Accrued benefit obligations | 8,836 | 125,897 | 88,644 | 223,377 |
| Fair value of plan assets | (4,809) | - | - | (4,809) |
| Funded status – plan deficit | 4,027 | 125,897 | 88,644 | 218,568 |
| Balance of unamortized amounts | (1,504) | (64,192) | (3,219) | (68,915) |
| Accrued benefit liability | 2,523 | 61,705 | 85,425 | 149,653 |

| | Defined Benefit Supplemental Pension Plans | Post-Retirement Plans | Post-Employment Plans | **2003** Total |
|---|---|---|---|---|
| | | | ($000s) | |
| Accrued benefit obligations | 7,089 | 115,267 | 82,914 | 205,270 |
| Fair value of plan assets | (4,438) | - | - | (4,438) |
| Funded status – plan deficit | 2,651 | 115,267 | 82,914 | 200,832 |
| Balance of unamortized amounts | (404) | (70,429) | (3,196) | (74,029) |
| Accrued benefit liability | 2,247 | 44,838 | 79,718 | 126,803 |

The defined benefit supplemental pension plan assets consist of 50% (2003 – 50%) equity index pooled funds and 50% (2003 - 50%) deposit in a Canada Revenue Agency non-interest bearing refundable tax account.

**Costs recognized in the year**

| | 2004 | 2003 |
|---|---|---|
| | ($000s) | |
| Multi-employer defined benefit/defined contribution hybrid pension plan | 42,900 | 40,500 |
| Defined benefit supplemental pension plans | 561 | 1,379 |
| Post-retirement plans | 20,414 | 19,359 |
| Post-employment plans | 18,807 | 18,204 |
| Total costs | 82,682 | 79,442 |

Approximately 91.9% (2003 – 92.4%) of the total costs is included in wages, salaries and benefits on the consolidated statement of operations and accumulated equity. The remaining 8.1% (2003 – 7.6%) has been charged to capital assets, in accordance with the Commission's capitalization policies.

**Cash payments made in the year**

| | 2004 | 2003 |
|---|---|---|
| | ($000s) | |
| Multi-employer defined benefit/defined contribution hybrid pension plan | 42,900 | 40,500 |
| Defined benefit supplemental pension plans | 285 | 296 |
| Post-retirement plans | 3,547 | 2,665 |
| Post-employment plans | 13,100 | 14,067 |
| Total cash payments | 59,832 | 57,528 |

Cash payments to the pension plans consist of contributions to the Society to meet the minimum funding requirements, in accordance with pension legislation and to provide for the amortization of any unfunded liability over 15 years. The members and the Commission each made required contributions of $40.9 million in 2004 (2003 - $38.5 million), which represented 6.25% of members' covered earnings up to the Canada Pension Plan yearly maximum pensionable earnings of $40,500 in 2004 (2003 - $39,900) and 7.85% of covered earnings in excess of this amount. In addition, the Commission contributed $2.0 million in 2004 (2003 - $2.0 million) for an early retirement provision.

Cash payments to the post-retirement and post-employment plans consist of income replacement, health and dental benefit claims, and administration fees and related taxes paid to the various administrators of these plans.

**Significant assumptions used in accounting for employee future benefits**

| | 2004 | 2003 |
|---|---|---|
| Accrued benefit obligations as at December 31: | | |
| Discount rate | 6.00% | 6.00% |
| Rate of increase in earnings | 3.50% | 3.50% |
| Benefit costs for the years ended December 31: | | |
| Discount rate | 6.00% | 6.25% |
| Rate of increase in earnings | 3.50% | 3.50% |
| Rate of return on assets | 4.00% | 2.50% |

The Commission's rate of growth for health care costs, primarily drug costs, was estimated at 11% (2003 – 9%) and was assumed to decrease gradually to 5% in 2010 and remain at that level thereafter.

**Sensitivity analysis**
Health care cost trend rate assumptions have a significant effect on the amounts reported for the health care related plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects for 2004:

| | Increase | Decrease |
|---|---|---|
| | ($000s) | |
| Total costs | 2,470 | (2,000) |
| Accrued benefit obligations | 18,800 | (15,500) |

## 11. OPERATING SUBSIDIES

The operating subsidies are:

| ($000s) | 2004 | | | 2003 |
|---|---|---|---|---|
| | Conventional | Wheel-Trans | Total | Total |
| Net operating costs | 201,474 | 50,526 | 252,000 | 241,842 |
| From retained earnings | - | 8 | 8 | 16,939 |
| Source of operating subsidies: | | | | |
| - Province of Ontario | 70,000 | - | 70,000 | - |
| - City of Toronto | 131,474 | 50,518 | 181,992 | 224,903 |
| Total operating subsidy (for Commission's consolidated financial statements) | 201,474 | 50,518 | 251,992 | 224,903 |

Between 1971 and 1980, the City and the Province of Ontario covered the Commission's operating shortfalls on a shared basis. From 1981 until 1993, a more formalized "Users' Fair Share" formula was used, with the Commission establishing its fares each year to cover 68% of total estimated operating expenses (as defined for provincial subsidy purposes). The City provided an operating subsidy equal to the remaining expenses. The City in turn obtained a subsidy from the Province equal to 16% of eligible expenses, plus additional subsidies for certain specified costs. Between 1994 and 1997, modified "flat-line" subsidies were provided by the City and the Province. However, between January 1, 1998 and December 31, 2003, the Province did not provide operating subsidies for public transit. In early 2004, the City allocated $70 million of Provincial subsidy to the Commission's 2004 operating budget. Currently, the total City operating subsidy amount is established as part of the City's annual budget process.

City of Toronto subsidy
(for information only)

| ($000s) | 2004 | | | 2003 |
|---|---|---|---|---|
| | Conventional | Wheel-Trans | Total | Total |
| Operating subsidy from the City (see above) | 131,474 | 50,518 | 181,992 | 224,903 |
| City special costs | 3,031 | - | 3,031 | 3,000 |
| Total City operating subsidy (in accounts of the City of Toronto) | 134,505 | 50,518 | 185,023 | 227,903 |

City special costs represent subsidies reflected in the City's budget that are not included in the Commission's operating subsidy but relate to the Commission. They include rents and taxes on commuter parking lots and costs associated with certain subsidized passengers. These subsidies and related expenses are not reflected in these consolidated financial statements.

The total City operating subsidy recognized in 2004 was $15.1 million less than the approved amount and approval will be sought to allocate $6.3 million of it to the City's Capital Financing Reserve Fund, in order to assist in financing the Commission's 2005 capital program.

## 12. CAPITAL SUBSIDIES

Capital subsidies, which are recorded as net capital contributions (note 9), are as follows:

| ($000s) | 2004 | 2003 |
|---|---|---|
| Source of capital subsidies: | | |
| - City of Toronto | 208,683 | 133,620 |
| - Province of Ontario | 51,093 | 70,611 |
| - Federal Government of Canada | 12,062 | 13,700 |
| Total capital subsidies | 271,838 | 217,931 |

(a) **City of Toronto**
The City is responsible for funding 100% of the Commission's capital program. In accordance with the Municipal Act, any funding for the Commission's capital program from other governments flows through the City.

(b) **Province of Ontario**
Capital subsidies claimed under the various provincial programs are as follows:

| ($000s) | 2004 | 2003 |
|---|---|---|
| Source of capital subsidies: | | |
| - OTVP/OTRP | 21,524 | 62,300 |
| - CSIF | 25,009 | - |
| - TTIP/GTIP | 4,560 | 8,311 |
| Total Provincial capital subsidies | 51,093 | 70,611 |

Until 1996, the Commission received a 100% subsidy from the City for subway, light-rail additions and improvements, and certain other capital works projects. The City then recovered 75% of the subsidy from the Province. The Commission also received a 75% subsidy from the City for most of its other capital asset additions and the City in turn recovered the subsidy from the Province. This process was modified by the Province in 1996. A tripartite Capital Subsidy Agreement ("CSA") was signed in 1996 by the Commission, the City and the Province to cover capital subsidies over the period 1996 to 2000. However, in 1998, the Province provided a lump sum payment in settlement of its commitments under the CSA and then terminated all capital subsidies, for a period of three years.

On February 20, 2002, the Province announced the creation of the Ontario Transit Renewal Program ("OTRP") to assist municipalities in replacing and refurbishing their existing transit fleets. This program was subsequently renamed the Ontario Transit Vehicle Program ("OTVP") and, for 2004, $32.1 million funding was approved for transit vehicle replacement and major refurbishment, of which $10.6 million fulfils the Province's commitment under the Canada Strategic Infrastructure Fund ("CSIF"). Details of this program are provided later in this note.

The Province previously announced funding commitments totalling $33.7 million (August 2002 and June 2003), through the SuperBuild's Golden Horseshoe Transit Investment Partnership ("GTIP") program, on the basis of proceeding with a specified list of projects. This commitment will be addressed under the Transit Technology Infrastructure Program ("TTIP"), however, the agreement has not yet been finalized and no funding has yet been received. An amount equal to costs incurred in connection with approved projects has been accrued.

(c) **Federal Government of Canada**
Capital subsidies claimed under the various federal programs are as follows:

| ($000s) | 2004 | 2003 |
|---|---|---|
| Source of capital subsidies: | | |
| - COIP | - | 13,700 |
| - CSIF | 12,062 | - |
| Total Federal capital subsidies | 12,062 | 13,700 |

In April 2002, the Federal Minister of Transport announced funding of $76 million for the Commission's capital modernization and improvement program. The funding was to be provided by the Federal Government through the Canada-Ontario Infrastructure Program ("COIP") in two instalments.

In February 2004, the Federal Government announced that it would provide a full rebate to municipalities for GST paid. Legislation was enacted in May 2004 and this additional 3/7ths rebate resulted in reduced Commission capital expenditures of $5.0 million in 2004.

On March 30, 2004, the Federal and Provincial Governments jointly announced funding of $1.050 billion, under the CSIF program for the Commission over five years (2004-2008). This total is to be funded equally, in the amounts of $350 million, by each of the three levels of government. In December 2004, the CSIF Memorandum of Understanding was signed by the City, outlining the parameters for funding of specific projects, including subway and streetcar systems, transit improvements and a GTA farecard project.

In the February 2005 Federal budget, the Government announced the introduction of a 1½ cents per litre gas tax funding for Canada, with an allocation to Provinces and Territories based primarily on population, commencing in April 2005. Details of this funding have not yet been finalized, including the Provincial method of reallocation.

## 13. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of its operations, labour relations, and completion of capital projects, the Commission and its subsidiaries are subject to various arbitrations, litigations, and claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is determinable.

(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 for certification. Management believes that the ultimate disposition of this matter will not materially exceed the amount recorded in the accounts. Any additional losses related to this claim will be recorded in the year during which the liability is determinable.

(c) A labour-related grievance against the Commission was submitted for arbitration in 2004. The outcome of this action is uncertain and any resulting potential liability cannot be determined. The impact of this claim will be recorded in the year in which the liability is determinable.

(d) 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, 2004, all 220 vehicles of the original order have been received. In January 2004, a contract option was exercised with Orion for a further 250 low-floor diesel buses to be delivered in 2005, at an additional cost of $127.6 million, bringing the revised total contract cost, after eight small amendments netting to a $0.1 million reduction, to $240.9 million. In December 2004, 17 of the 2005 vehicles were received, bringing the total number of vehicles received for this contract to 237, at December 31, 2004. Capital expenditures of $69.2 million were incurred in 2004 (2003 - $45.6 million) related to this contract.

(e) In early 2005, the Commission and City Council approved the awarding of a contract for the purchase of an additional 330 low-floor buses from Orion, at a total cost of $208.1 million. The order consisted of 150 diesel-electric hybrid buses, all of which are due to be delivered in 2006, and 180 diesel buses, of which 80 are to be delivered in 2006 and the remaining 100 in 2007.

(f) The Commission has contracts for the construction and implementation of various capital projects. At December 31, 2004, these contractual commitments are approximately $50.1 million (2003 - $67.6 million).

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

| | |
|---|---|
| 2005 | $4,800,000 |
| 2006 | 2,100,000 |
| 2007 | 100,000 |
| thereafter | 0 |

## 14. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2004 consolidated financial statements.

# AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

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

The audited consolidated 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 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

Toronto, Canada,
March 11, 2005.

Chartered Accountants

**TORONTO TRANSIT COMMISSION**
**CONSOLIDATED FINANCIAL STATEMENTS**
**YEAR ENDED DECEMBER 31, 2004**

| ($000s) | TORONTO TRANSIT COMMISSION (TTC) | WHEEL-TRANS (WT) | TORONTO TRANSIT CONSULTANTS LIMITED (TTCL) |
|---|---|---|---|
| **STATEMENT OF OPERATIONS** | | | |
| **Revenue** | | | |
| Passenger services | (682,787) | (2,638) | - |
| Advertising | (18,651) | | |
| Outside City services | (12,987) | - | - |
| Property rental | (10,734) | - | - |
| Miscellaneous | (6,076) | - | (3) |
| Total revenue | (731,235) | (2,638) | (3) |
| **Expenses** | | | |
| Wages, salaries and benefits | 701,452 | 30,727 | - |
| Depreciation | 211,877 | - | - |
| Amortization of capital contributions | (195,844) | - | - |
| Materials, services and supplies | 110,866 | 5,150 | - |
| Vehicle fuel | 33,104 | 1,345 | - |
| Electric traction power | 29,767 | - | - |
| Accident claims | 17,918 | 709 | - |
| Utilities | 14,999 | 483 | |
| Property taxes | 8,570 | 596 | - |
| Wheel-Trans contract services | - | 14,154 | - |
| Interest expense net | - | - | - |
| Income tax | - | - | - |
| Total expenses | 932,709 | 53,164 | - |
| Net operating costs/(income) | 201,474 | 50,526 | (3) |
| Operating subsidy from the Province | (70,000) | | |
| Operating subsidy from the City | (131,474) | (50,518) | - |
| Net operating (surplus)/shortfall | - | 8 | (3) |
| Accumulated (equity)/deficit, beginning of the year | (14,204) | - | (37) |
| Accumulated (equity)/deficit, end of the year | (14,204) | 8 | (40) |
| Not on the Commission's consolidated Financial Statements | | | |
| Operating subsidy from the City (as above) | 131,474 | 50,518 | - |
| Operating subsidies for capital from current | - | - | - |
| City special costs | 3,031 | - | - |
| Total City operating subsidy | **134,505** | **50,518** | - |
| **BALANCE SHEET** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 22,097 | - | 140 |
| Accounts receivable | | | |
| City of Toronto | 196,247 | - | - |
| Other | 16,364 | - | - |
| Spare parts and supplies inventory | 65,214 | - | - |
| Advances to subsidiary | - | - | - |
| Indemnity receivable from the Commission | - | - | - |
| Prepaid expenses | 11,317 | - | - |
| | 311,239 | - | 140 |
| **Long-term Assets** | | | |
| Long-term investments | 2,554 | - | - |
| Investment in subsidiary | 7,357 | - | - |
| Net capital assets | 3,593,810 | - | - |
| | 3,914,960 | - | 140 |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | (170,362) | - | - |
| Deferred passenger revenue | (28,140) | - | - |
| Unsettled accident claims | (12,677) | - | - |
| Income taxes payable | - | - | - |
| Due to parent | - | - | - |
| | (211,179) | - | - |
| **Long-term Liabilities** | | | |
| Net capital contributions | (3,497,383) | - | - |
| Employee benefits | (149,653) | - | - |
| Unsettled accident claims | (36,023) | - | - |
| Environmental and other liabilities | (6,526) | - | - |
| | (3,900,764) | - | - |
| Capital Stock | - | - | (100) |
| **Accumulated (equity)/deficit** | (14,196) | - | (40) |
| | (3,914,960) | - | (140) |

| TORONTO COACH TERMINAL INC. (TCTI) | TTC INSURANCE COMPANY LIMITED (TTCIC) | TOTAL BEFORE INTERCOMPANY ELIMINATIONS | INTERCOMPANY ELIMINATIONS | CONSOLIDATED FINANCIAL STATEMENTS |
|---|---|---|---|---|
| - | - | (685,425) | - | (685,425) |
| - | - | (18,651) | - | (18,651) |
| - | - | (12,987) | - | (12,987) |
| (916) | - | (11,650) | - | (11,650) |
| (4,480) | (32) | (10,591) | 430 | (10,161) |
| (5,396) | (32) | (739,304) | 430 | (738,874) |
| 2,972 | - | 735,151 | - | 735,151 |
| 409 | - | 212,286 | - | 212,286 |
| - | - | (195,844) | - | (195,844) |
| 667 | 32 | 116,715 | 11 | 116,726 |
| - | - | 34,449 | - | 34,449 |
| - | - | 29,767 | - | 29,767 |
| - | - | 18,627 | 31 | 18,658 |
| 147 | | 15,629 | - | 15,629 |
| 468 | - | 9,634 | - | 9,634 |
| - | - | 14,154 | - | 14,154 |
| 430 | - | 430 | (430) | - |
| 42 | - | 42 | (42) | - |
| 5,135 | 32 | 991,040 | (430) | 990,610 |
| (261) | - | 251,736 | - | 251,736 |
| - | | (70,000) | | (70,000) |
| - | - | (181,992) | - | (181,992) |
| (261) | - | (256) | - | (256) |
| 4,793 | - | (9,448) | (5,493) | (14,941) |
| 4,532 | - | (9,704) | (5,493) | (15,197) |
| - | - | 181,992 | - | - |
| - | - | - | - | - |
| - | - | 3,031 | - | - |
| - | - | 185,023 | - | - |
| 1,660 | 1,400 | 25,297 | - | 25,297 |
| - | - | 196,247 | (46) | 196,201 |
| 100 | - | 16,464 | (542) | 15,922 |
| - | - | 65,214 | - | 65,214 |
| 1,300 | - | 1,300 | (1,300) | - |
| - | 38,443 | 38,443 | (38,443) | - |
| - | - | 11,317 | - | 11,317 |
| 3,060 | 39,843 | 354,282 | (40,331) | 313,951 |
| - | - | 2,554 | - | 2,554 |
| 100 | - | 7,457 | (7,457) | - |
| 7,098 | - | 3,600,908 | - | 3,600,908 |
| 10,258 | 39,843 | 3,965,201 | (47,788) | 3,917,413 |
| (901) | - | (171,263) | 48 | (171,215) |
| - | - | (28,140) | - | (28,140) |
| (50) | (38,443) | (51,170) | 38,443 | (12,727) |
| (13) | - | (13) | 13 | - |
| (12,277) | (1,300) | (13,577) | 13,577 | - |
| (13,241) | (39,743) | (264,163) | 52,081 | (212,082) |
| - | - | (3,497,383) | - | (3,497,383) |
| - | - | (149,653) | - | (149,653) |
| (50) | - | (36,073) | - | (36,073) |
| (499) | - | (7,025) | - | (7,025) |
| (13,790) | (39,743) | (3,954,297) | 52,081 | (3,902,216) |
| (1,000) | (100) | (1,200) | 1,200 | - |
| 4,532 | - | (9,704) | (5,493) | (15,197) |
| (10,258) | (39,843) | (3,965,201) | 47,788 | (3,917,413) |

# Salary Disclosure – 2004

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 2004.

| NAME | POSITION | SALARY PAID | TAXABLE BENEFITS |
|---|---|---|---|
| Frank Ancona | Foreperson – Structure Rehabilitation | 108,357 | 76 |
| Terry Andrews | Chief Special Constable | 112,444 | 3,253 |
| Warren Bartram | General Superintendent- Track & Structure | 150,832 | 3,253 |
| Kent Bayley | Senior Design Engineer – Communications | 110,776 | 76 |
| Richard Beckingham | Survey Party Chief | 102,890 | 76 |
| Richard Beecroft | Chief Auditor – Internal Audit | 128,489 | 3,253 |
| Andy Bertolo | Chief Project Manager – Construction | 150,832 | 3,253 |
| Scott Blakey | Executive Director - Human Resources | 150,832 | 3,253 |
| Robert Boutilier | Deputy General Manager – Surface Operations | 171,113 | 7,609 |
| William Brown | Manager – Vehicle Engineering | 132,751 | 3,253 |
| Joseph Brunaccioni | Supervisor – Substations/Power Control | 104,060 | 76 |
| Paul Buttigieg | Chief Accountant – Financial Services | 111,119 | 76 |
| John Cannell | Manager – Pension Fund Society | 128,489 | 3,253 |
| John Cannito | Foreperson – Wiring & Service | 104,392 | 76 |
| John Cannon | Chief Information Officer | 135,814 | 3,253 |
| Dora Cheng | Director – Application Services | 108,854 | 76 |
| Allen Chocorlan | Manager – Materials and Procurement | 150,832 | 3,253 |
| Teresa Clarke | Director – Compensation & Benefits | 102,983 | 76 |
| Dennis Clarkson | Senior Designer – Communications | 116,781 | 76 |
| Jay Climenhaga | Head – Structural Design | 100,025 | 76 |
| Dexter Collins | Senior Foreperson – Elevators/Escalators | 100,778 | 76 |
| Rick Cornacchia | Deputy General Manager – Subway Operations | 171,113 | 7,609 |
| Kathryn Dean | Manager – Training | 126,747 | 3,253 |
| Adelio Distefano | Supervisor – Structure Maintenance | 104,640 | 76 |
| David Dixon | General Superintendent – Bus Maintenance | 150,832 | 3,253 |
| Robert Dougherty | Supt.– Rail Cars & Shops Maintenance Engineering | 108,854 | 76 |
| Richard Ducharme | Chief General Manager | 249,783 | 13,807 |
| Andrew Duggan | Supervisor – Construction & Preventative Maintenance | 100,163 | 76 |
| Petrut Dumitriu | Foreperson – Structure Rehabilitation | 105,575 | 76 |
| Les Elbert | Senior Systems Analyst | 114,860 | 76 |
| George Esson | Senior Roadmaster | 101,766 | 76 |
| John Ewing | Senior Designer – Signals | 126,724 | 76 |
| Derick Finn | General Superintendent – Signals/Electrical/Communications | 150,832 | 3,253 |
| Silvano Florindi | Project Manager | 109,399 | 76 |
| James Fraser | Superintendent – Rail Cars & Shops | 102,848 | 76 |
| William Frost | Manager – Support Services | 108,570 | 2,988 |
| Gary Gale | Tower Controller | 105,346 | 76 |
| Sameh Ghaly | Project Manager | 101,641 | 76 |
| Michael Hazlett | Assistant Superintendent – Transit Control | 112,137 | 76 |
| Lynn I. Hilborn | Deputy General Manager – Corporate | 171,113 | 7,609 |
| Grant Houston | Senior Foreperson – Bus Maintenance | 100,224 | 76 |
| David Hughes | Director – Project Management | 103,054 | 76 |
| Robert Hughes | Chief Project Manager | 125,259 | 3,253 |
| Anthony Iannucci | Director – Technical Services | 108,866 | 76 |
| Bruce Janes | Supervisor – Subway/Structure Track | 105,316 | 76 |
| Mladen Jeftic | Head – Electrical Engineering | 105,432 | 76 |
| James Kerr | Senior Construction Engineer | 100,099 | 76 |
| Orest Kobylansky | General Superintendent – Streetcar Maintenance | 127,570 | 3,253 |
| Stanley Koper | Superintendent – Wilson Carhouse | 108,854 | 76 |
| Stephen Lam | Superintendent – Vehicle Engineering | 105,897 | 76 |
| Pierre Laurin | Head – Civil & Geotechnical Design | 100,800 | 76 |
| Brian Leck | General Counsel | 150,382 | 3,253 |
| Tommy Lee | Project Manager | 107,940 | 76 |
| Donald Leger | General Superintendent - Plant Maintenance | 150,832 | 3,253 |
| Brian Longson | Superintendent – Track & Structure Maintenance Engineering | 108,854 | 76 |
| Graham Low | Senior Supt. – Heavy Maintenance Harvey Shop | 108,871 | 3,253 |
| Alastair MacDonald | Assistant Manager – Purchasing & Sales | 100,025 | 76 |
| Jaggernauth Maharaj | Chief Accountant – Payroll & Costs | 108,854 | 76 |
| Geoffrey Marinoff | General Superintendent – Rail Cars & Shops | 142,921 | 3,253 |
| Karen McGuire | Associate General Counsel | 128,489 | 3,253 |
| Stuart McKay | Senior Design Engineer – Signals | 104,678 | 76 |
| Raymond McKenzie | Operator | 100,143 | 76 |
| Thomas Middlebrook | Chief Engineer | 150,832 | 3,253 |
| Paul Millett | General Supt. – Subway Transportation | 150,832 | 3,253 |
| John O'Grady | Chief Safety Officer | 128,489 | 3,253 |
| David Partington | Senior Supt. – Heavy Maintenance Duncan Shop | 108,896 | 3,253 |
| Tony Pereira | Superintendent - Communications Bus & Rail | 100,657 | 76 |
| Gerald Porter | Operator | 106,633 | 76 |
| Milan Pristupa | Superintendent – Signals/Electrical/Communications Engineering | 113,600 | 76 |
| Snezana Pupavac | Head – Communications Engineering | 105,431 | 76 |
| Susan Reed Tanaka | Construction Manager | 130,089 | 3,253 |
| Mark Reidak | Superintendent – Signals | 100,850 | 76 |
| Michael Roche | Chief Financial Officer | 150,832 | 3,253 |
| Vincent Rodo | General Manager – Executive/General Secretary | 188,914 | 13,807 |
| Roberto Rosati | Senior Construction Inspector | 103,656 | 76 |
| Jerzy Sajkowicz | Operator | 111,100 | 76 |
| Gordon Seggie | Roadmaster – Subway/SRT Track | 104,914 | 76 |
| John Sepulis | General Manager – Engineering & Construction | 185,718 | 13,807 |
| Jasvinder Singh | Foreperson – Subway/SRT Track | 104,316 | 76 |

| NAME | POSITION | SALARY PAID | TAXABLE BENEFITS |
|---|---|---|---|
| Bruce Smith | Supervisor – Communications | 103,213 | 76 |
| Howard Smith | General Superintendent – Surface Transportation | 138,510 | 3,253 |
| Ira Stambler | Manager – Service Planning | 128,489 | 3,253 |
| Sean Tangney | Slip Clerk | 111,518 | 76 |
| James Teeple | Superintendent – Streetcar Way | 100,657 | 76 |
| Robert Thacker | General Superintendent - Wheel-Trans | 150,832 | 3,253 |
| Richard Thompson | Project Manager | 108,854 | 76 |
| David Trimble | Senior Designer – Communications | 102,156 | 76 |
| Richard Vince | Deputy Chief Engineer – Controls | 108,854 | 76 |
| Lisa Walsh | Director – Employee Relations | 105,157 | 50 |
| Keith Watling | Head – Signals Engineering | 105,434 | 76 |
| Kirsten Watson | Senior Director – Human Resources | 128,489 | 3,253 |
| Gary Webster | General Manager – Operations | 188,914 | 13,807 |
| Charles Wheeler | Manager – Property Development | 126,131 | 3,253 |
| Leonard Wilgus | Senior Solicitor | 108,854 | 3,253 |
| Kee Wong | Superintendent – Plant Maintenance Engineering | 105,897 | 76 |

## TORONTO TRANSIT COMMISSION

## Conventional System: 10-Year Non-consolidated Financial and Operating Statistics

| | 2004 | 2003 | 2002 |
|---|---|---|---|
| **OPERATING STATISTICS (regular service inside the City)** | | | |
| Passenger Trips (Millions) | 418.1 | 405.4 | 415.5 |
| Basic Adult Ticket Fare (at December 31) ($) | 1.90 | 1.90 | 1.80 |
| Average Number of Employees (including TCTI) | 10,553 | 10,450 | 10,356 |
| Average Hourly Wages & Benefits per Operator ($) | 35.79 | 34.79 | 33.45 |
| Kilometres Operated (Millions) | | | |
| Bus | 100.7 | 99.8 | 100.4 |
| Subway Car | 78.4 | 77.5 | 76.2 |
| Streetcar | 12.2 | 11.8 | 11.3 |
| Scarborough RT | 4.4 | 4.1 | 4.3 |
| Total Kilometres Operated | 195.7 | 193.2 | 192.2 |
| **OPERATING REVENUE STATISTICS** | | | |
| Operating Revenue – including property rental, etc. ($ Millions) | 731.2 | 703.0 | 687.8 |
| Operating Revenue per Passenger Trip ($) | 1.75 | 1.73 | 1.66 |
| Operating Revenue per Kilometre ($) | 3.74 | 3.64 | 3.58 |
| **OPERATING EXPENSE STATISTICS** | | | |
| Operating Expenses ($ Millions) | 932.7 | 899.0 | 848.9 |
| Operating Expense per Passenger Trip ($) | 2.23 | 2.22 | 2.04 |
| Operating Expense per Kilometre ($) | 4.77 | 4.65 | 4.42 |
| **OPERATING SUBSIDY STATISTICS** | | | |
| Operating Subsidy ($ Millions) **(See Note 14)** | 201.5 [13] | 179.2 [12] | 161.1 [11] |
| Operating Subsidy per Passenger Trip ($) | 0.48 | 0.44 | 0.39 |
| Operating Subsidy per Kilometre ($) | 1.03 | 0.93 | 0.84 |
| **OPERATING DEFICIT/(SURPLUS) STATISTICS (see Notes for details)** | | | |
| Operating Deficit/(Surplus) ($ Millions) | - | 16.9 | - |
| Operating Deficit/(Surplus) per Passenger Trip ($) | - | 0.04 | - |
| Operating Deficit/(Surplus) per Kilometre ($) | - | 0.09 | - |
| **REVENUE/COST RATIO** | 78.4% [7] | 78.2% [7] | 81.0% [7] |
| **CAPITAL ASSETS (Conventional & Wheel-Trans)** | | | |
| Investment in Capital Assets at December 31 ($ Millions) | | | |
| Gross Investment (before contributions & depreciation) | 6,216.5 | 5,948.7 | 5,733.5 |
| City & Provincial Contributions | (5,802.9) | (5,543.0) [15] | (5,337.2) [15] |
| TTC Investment (before depreciation) | 413.6 | 405.7 | 396.3 |
| **PASSENGER VEHICLE FLEET** | | | |
| (Conventional & Wheel-Trans, owned or leased and in service at December 31) | | | |
| Buses | 1,502 | 1,489 | 1,468 |
| Subway Cars | 684 | 684 | 692 |
| Streetcars | 248 | 248 | 248 |
| Scarborough RT Cars | 28 | 28 | 28 |
| Wheel-Trans Buses | 145 | 144 | 135 |
| Total Vehicle Fleet | 2,607 | 2,593 | 2,571 |

**Notes:**

1. The lower average hourly wages & benefits per Operator in 1995 related to the Social Contract savings.
2. 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.
3. The 1996 Metro subsidy of $79.2 million included $2.5 million from the Metro Contingency Account. The $6.4 million write-down of the advance to the TCTI subsidiary, a non-operating cost (therefore not included in the above table), reduced the Commission's accumulated equity.
4. In 1997, the $14.8 million net operating surplus increased the Commission's accumulated equity.
5. On January 1, 1998, the City of Toronto assumed all assets and liabilities of Metro and all Provincial operating subsidies ceased. The total subsidy paid by the City was $149.3 million, consisting of $138.9 million for operating subsidy, $7.4 million for capital from current, $1.9 million for City special costs and a $1.1 million contribution to the TTC Stabilization Reserve Fund.
6. 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 (excluding $7.4 million for capital from current).
7. The 2004, 2003, and 2002 revenue/cost ratios were calculated as operating revenue/operating expenses (**excluding** capital from current). The 1999, 2000 and 2001 ratios were restated in 2002 to conform to the presentation adopted in 2002.

| 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|
| 420.0 | 410.6 | 392.6 | 388.7 | 379.9 | 372.4 | 388.2 |
| 1.80 | 1.70 | 1.70 | 1.60 | 1.60 | 1.60 | 1.50 |
| 10,191 | 10,095 | 10,049 | 9,462 | 9,133 | 9,129 | 9,459 |
| 32.29 | 31.25 | 30.20 | 29.06 | 28.99 | 29.72 | 28.25 [1] |
| 97.7 | 95.0 | 94.4 | 94.5 | 93.7 | 93.7 | 100.9 |
| 75.5 | 74.4 | 67.4 | 67.6 | 65.5 | 63.9 | 62.8 |
| 11.7 | 11.3 | 11.4 | 12.1 | 10.6 | 10.9 | 11.1 |
| 4.4 | 4.2 | 3.9 | 4.1 | 3.7 | 3.6 | 3.7 |
| 189.3 | 184.9 | 177.1 | 178.3 | 173.5 | 172.1 | 178.5 |
| 670.6 | 630.2 | 585.2 | 563.9 | 559.4 | 514.8 | 457.3 |
| 1.60 | 1.53 | 1.49 | 1.45 | 1.47 | 1.38 | 1.18 |
| 3.54 | 3.41 | 3.30 | 3.16 | 3.22 | 2.99 | 2.56 |
| 797.2 | 745.1 | 706.8 | 702.8 | 703.5 | 684.0 | 671.8 |
| 1.90 | 1.81 | 1.80 | 1.81 | 1.85 | 1.84 | 1.73 |
| 4.21 | 4.03 | 3.99 | 3.94 | 4.05 | 3.97 | 3.76 |
| 126.6 [10] | 112.5 [9] | 121.5 [8] | 138.9 [5] | 158.9 | 169.2 [3] | 214.6 [2] |
| 0.30 | 0.27 | 0.31 | 0.36 | 0.42 | 0.45 | 0.55 |
| 0.67 | 0.61 | 0.69 | 0.78 | 0.92 | 0.98 | 1.20 |
| - [9] | 2.4 [9] | - | - | (14.8) [4] | - | - |
| - | 0.01 | - | - | (0.04) | - | - |
| - | 0.01 | - | - | (0.09) | - | - |
| 84.1% [7] | 84.6% [7] | 82.8% [7] | 80.2% [6] | 80.4% | 75.7% | 69.3% |
| 5,514.5 | 5,230.3 | 4,849.2 | 4,258.4 | 3,721.2 | 3,353.6 | 3,042.4 |
| (5,121.5) [15] | (4,925.4) | (4,547.2) | (3,951.8) | (3,420.8) | (3,055.9) | (2,738.8) |
| 393.0 | 304.9 | 302.0 | 306.6 | 300.4 | 297.7 | 303.6 |
| 1,480 | 1,468 | 1,483 | 1,498 | 1,468 | 1,525 | 1,542 |
| 692 | 672 | 660 | 638 | 620 | 640 | 622 |
| 248 | 248 | 248 | 248 | 248 | 248 | 248 |
| 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| 142 | 149 | 150 | 140 | 140 | 140 | 140 |
| 2,590 | 2,565 | 2,569 | 2,552 | 2,504 | 2,581 | 2,580 |

8. In 1999, the total subsidy paid by the City was $148.9 million, consisting of $121.5 million for the operating subsidy, $17.8 million for capital from current, $2.4 million for the City special costs, and a $7.2 million contribution to the TTC Stabilization Reserve Fund.
9. 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 capital from current, $2.1 million for the City special costs, and a $12.1 million contribution to the TTC Stabilization Reserve Fund. The $2.4 million net operating deficit reduced the Commission's accumulated equity.
10. In 2001, the total subsidy paid by the City was $147.6 million, consisting of $126.6 million for the operating subsidy, $18.1 million for capital from current, and $2.9 million for City special costs.
11. In 2002, the total subsidy paid by the City was $152.2 million, consisting of $161.1 million for the operating subsidy, $12.7 million for capital from current, $2.9 million for City special costs, less a $24.5 million draw from the TTC Stabilization Reserve Fund.
12. In 2003, the total subsidy paid by the City was $182.2 million, consisting of $179.2 million for the operating subsidy and $3.0 million for City special costs. The $16.9 million net operating deficit reduced the Commission's accumulated equity.
13. In 2004, the total subsidy paid by the City was $134.5 million, consisting of $131.5 million for the operating subsidy and $3.0 million for City special costs. The City allocated $70 million of Provincial subsidy to the operating budget. In lieu of capital from current, $6.3 million was placed by the City in a Capital Financing Reserve Fund, to fund capital purchases in 2005.
14. The operating subsidy amounts do not include the capital from current amounts. For 1998 to 2002, the operating subsidy and operating subsidy per passenger and per kilometre amounts have been adjusted.
15. In 2003, the process for recording the disposition of subsidized capital assets was revised. The 2001/2/3 capital subsidy amounts have been restated to conform to the new presentation.

# Management Directory – 2004

***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***

**Terry A. Andrews**
Chief Special Constable

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

**Dick G. Beecroft**
Chief Auditor

**Andy G. Bertolo**
Chief Project Manager
Construction

**Scott Blakey**
Executive Director
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 Project Manager
TTC/GTA Farecard Project

**Orest Z. Kobylansky**
General Superintendent
Streetcar Maintenance

**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**
Chief Safety Officer

**Michael A. Roche**
Chief Financial Officer

**Alice E. Smith**
Chief Marketing Officer
(Acting)

**Howard Smith**
General Superintendent
Surface Transportation

**Mitch Stambler**
Manager
Service Planning

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

**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

**For further information, please contact:**

**Toronto Transit Commission**
1900 Yonge Street, Toronto, Ontario,
M4S 1Z2
Telephone: (416) 393-4000
Fax: (416) 485-9394
Website: www.ttc.ca