

ANNUAL REPORT

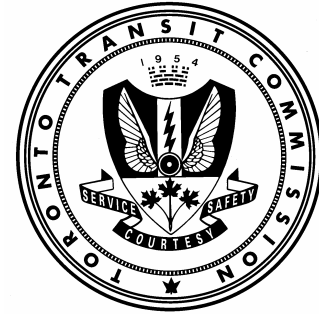
2005



TORONTO TRANSIT COMMISSION

2005 ANNUAL REPORT

Toronto Transit Commission



As at December 31, 2005



Chair
Howard Moscoe



Vice-Chair
Adam Giambrone

Commissioners



Brian Ashton



Sandra Bussin



Glenn
De Baeremaeker



Mark Grimes



Peter Li Preti



Joe Mihevc



Bill Saundercook

Letter from the Chair

DATE: June, 2006

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

It is once again my privilege to submit the 2005 Annual Report for the Toronto Transit Commission ("TTC").

2005 will go down in history as a funding benchmark for the TTC. For the first time ever, both the provincial and federal governments turned over a percentage of the gas tax for public transit. For the TTC, this is expected to be \$238 million in 2005, money used towards the delivery of 800 new buses by 2007, 100 of which are for ridership growth and the remainder are replacement of an aging fleet.

With a new federal government in power in Ottawa, the TTC requires Prime Minister Stephen Harper to keep his campaign promise, and retain all funding promises made by the former government under Prime Minister Paul Martin and to ensure predictable, sustainable, and ongoing commitments to funding for transit.

Funding is required to maintain a state-of-good repair, purchase new vehicles, including 234 state-of-the-art subway trains, and possible subway expansion, such as to York University and beyond. *The future is now for transit in Toronto.*

Ridership continued its upward swing. In 2005, we carried 431.2 million customers, an increase from 418.1 million in 2004. This increase can be attributed to many factors, including the continuation of the Ridership Growth Strategy, which was established in 2003, and several new initiatives:

Transferable Metropass

In April, Mayor David Miller and I announced the introduction of the transferable Metropass, effective September 1. This allows the pass holder to lend the pass to family and friends when he or she is not using it. The transferable Metropass went on sale for the first time in September, and the response was fantastic. Sales of the popular pass increased at such a dramatic rate, that the TTC actually sold out for the first few months.

Weekly Pass

A weekly pass was also introduced in September. This pass, which is also transferable, allows for unlimited travel on the TTC for a one week period, at an affordable cost of \$30.00.

The Volume Incentive Pass Program ("VIP"), which began as a pilot project in 2003, became a permanent and successful fixture in 2005. The program allows for discounted monthly passes for participating post-secondary institutions and businesses. By the end of 2005, 26 institutions have signed up, including the City of Toronto.

Under the Ridership Growth Strategy, in 2005, 100 service increases were introduced at off-peak times on approximately 40 routes.

As well as the Ridership Growth Strategy, service increases were made on thirty routes to reduce crowding. Four new overnight routes were introduced and two other overnight routes were extended. And to benefit cyclists, bike racks are now featured on seven bus routes.

The TTC continued on the road to greater accessibility, with the opening of new elevators at Eglinton West Station. The TTC's elevator installation project is scheduled to build another 14 elevators at 7 stations by 2007. Those stations include Broadview, Jane, Lawrence West, Osgoode, St. Clair, York Mills, and North York Centre. By 2007, 30 of the TTC's 69 subway/rapid transit stations will be accessible. New accessible service was also introduced on 38 bus routes.

The TTC launched a trial test of automated bus stop announcements on the 11 Bayview and 28 Davisville routes; routes which are heavily used by customers who visit the CNIB and Sunnybrook & Women's College Health Sciences Centre. Once testing has been completed, the automated stop announcement technology will be extended system wide.

In 2006, similar testing will be carried out on the subway system.

Construction began in 2005 on the Mount Dennis Bus Garage. When completed in 2007, the 23,000 square metre facility will house 250 buses and become the TTC's 7th bus division.

On July 7th, the London England 'tube' system was the target of a terrorist attack. 52 transit customers died, and hundreds of others were injured. Although the attack occurred in England, the entire worldwide transit community took notice. A terrorist attack can occur anywhere, and the TTC must be prepared. The TTC is taking steps to make our system more secure. A pilot project began in April, in which security cameras were installed on one bus route.

On October 15th, a TTC bus Operator was the unfortunate victim of a random act of violence, suffering a gunshot wound. This incident once again demonstrates the necessity of taking the steps required to ensure the safety of both our customers and employees. The TTC currently has 76 Special Constables, with eleven more officers to be hired in 2006.

In June, the TTC was honoured with two Ontario National Transportation Week Awards, one for a successful campaign by Special Constables Services, which cracked a major ticket counterfeiting operation, as well as an award for the TTC's 50th Anniversary of the Yonge Street subway.

For the second year in a row TTC employees demonstrated their commitment to the environment by pitching in and helping to clean-up as part of Mayor Miller's 20 minute clean-up on April 22nd.

The TTC continues to reflect the diversity of our great city. An audit in 2005 showed that of the 1,200 Operators hired since 2002, 42 per cent were from visible minorities.

It is the dedicated workforce that makes the TTC one of the best transit systems in the world. In 2005, TTC employees and pensioners set an amazing new TTC record, raising a record \$1,140,000 for the Greater Toronto United Way Campaign. Over the past five years, our employees and pensioners have raised more than \$5 million for the United Way. My congratulations to all for a tremendous United Way campaign and a special thank you to TTC Campaign Chair Kathy Wyeth, who was the recipient of the 2005 United Way of Greater Toronto's "Employee Company Chair of the Year." The TTC also was the recipient of the 2005 Labour Participation Award.

The TTC was not only *The Better Way* in 2005, but also the *Fun Way*. In an effort to make the transit trip more interesting, a series of special concerts and surprise appearances was staged throughout the summer months. Customers were entertained by artists such as violinists, a pianist playing on a grand piano, a magician, and even Queen Victoria, riding what else but the 501 Queen Streetcar.

In conclusion, I would like to thank my fellow Commissioners for their dedication and commitment: Adam Giambrone (Vice-Chair), Brian Ashton, Sandra Bussin, Glenn De Baeremaeker, Mark Grimes, Peter Li Preti, Joe Mihevc and Bill Saundercook. I would also like to thank Mayor David Miller, Councillor David Shiner and former Councillors Olivia Chow and Bas Balkissoon, all of whom also served on the Commission in 2005.

A handwritten signature in black ink, reading "Howard Moscoe". The signature is written in a cursive style with a large, looping initial "H".

Howard Moscoe
Chair

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2005

AUDITORS' REPORT

To the Chair and Members of the
Toronto Transit Commission

We have audited the consolidated balance sheet of the **Toronto Transit Commission** as at December 31, 2005 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, 2005 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 8, 2006.

Ernst + Young LLP

Chartered Accountants

TORONTO TRANSIT COMMISSION


Consolidated Balance Sheets
As at December 31

	2005	2004
	(\$000s)	(\$000s)
ASSETS		
Current		
Cash and cash equivalents	20,445	25,297
Accounts receivable		
City of Toronto (note 4)	210,499	196,201
Other	13,935	15,922
Spare parts and supplies inventory	70,688	65,214
Prepaid expenses	4,060	11,317
	319,627	313,951
Long-term		
Net capital assets (note 5)	3,728,232	3,600,908
Other assets (note 6)	8,980	2,554
	4,056,839	3,917,413
LIABILITIES AND ACCUMULATED EQUITY		
Current		
Accounts payable and accrued liabilities (note 7)	151,383	171,215
Deferred passenger revenue	34,500	28,140
Unsettled accident claims (note 8)	16,381	12,727
	202,264	212,082
Long-term		
Net capital contributions (note 9)	3,622,247	3,497,383
Employee benefits (note 10)	176,085	149,653
Unsettled accident claims (note 8)	34,119	36,073
Environmental and other liabilities (note 7)	6,989	7,025
	4,041,704	3,902,216
Commitments and contingencies (note 14)		
Accumulated equity	15,135	15,197
	4,056,839	3,917,413

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

	2005	2004
	(\$000s)	(\$000s)
REVENUE		
Passenger services	714,509	685,425
Advertising	14,515	18,651
Outside City services	12,678	12,987
Property rental	11,727	11,650
Miscellaneous	7,804	10,161
Total revenue	761,233	738,874
EXPENSES		
Wages, salaries and benefits (note 10)	773,191	735,151
Depreciation	234,381	224,282
Amortization of capital contributions (note 9)	(220,149)	(207,840)
Materials, services and supplies	115,383	116,726
Vehicle fuel	35,972	34,449
Electric traction power	28,455	29,767
Accident claims	16,030	18,658
Wheel-Trans contract services	15,730	14,154
Utilities	14,718	15,629
Property taxes	7,597	9,634
Total expenses	1,021,308	990,610
Net operating costs	(260,075)	(251,736)
Operating subsidies (note 11)	260,013	251,992
Net operating (deficit)/surplus	(62)	256
Accumulated equity, beginning of the year	15,197	14,941
Accumulated equity, end of the year	15,135	15,197

See accompanying notes to the consolidated financial statements

TORONTO TRANSIT COMMISSION

Consolidated Statements of Cash Flows
Years ended December 31

	2005	2004
	(\$000s)	(\$000s)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger services	720,869	683,025
Other cash received	48,711	54,404
Cash paid to employees	(737,271)	(704,423)
Cash paid to suppliers	(253,442)	(189,036)
Cash paid for accident claims	(14,330)	(15,158)
Net cash used in operating activities	(235,463)	(171,188)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital asset acquisitions	(378,207)	(292,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating subsidies received	291,603	176,580
Capital subsidies received	317,215	280,848
Cash provided by financing activities	608,818	457,428
Decrease in cash and cash equivalents during the year	(4,852)	(6,684)
Cash and cash equivalents, beginning of the year	25,297	31,981
Cash and cash equivalents, end of the year	20,445	25,297

See accompanying notes to the consolidated financial statements

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 1

Year ended December 31, 2005

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 (notes 11 and 12). The Commission also operates Wheel-Trans, a transit service for people with disabilities, which is also subsidized by the City. 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.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 2005

(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. As such, the accounting policies described in the remaining portion of this section do not apply to the pension plan.

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.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2005

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 11 years (2004 – 12 years) for the supplemental pension plans and 11 years (2004 – 11 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 (2004 – 10 years) for workplace safety insurance benefits and 11 years (2004 – 12 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 transitional obligation, arising from the changes in accounting policies, is amortized on a straight-line basis over 11 to 14 years, which represents the expected average remaining service life of the employee group covered by the benefit plan at the date of the change.

(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, and accounts payable. The fair values of these items approximate their book values.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 2005

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. The loan was paid in full on March 31, 2005.

The current receivable from the City of Toronto is as follows:

	2005	2004
		(\$000s)
Subsidies receivable	210,740	220,960
Other receivables	16,782	16,989
Other payables	(17,023)	(34,104)
Loan payable	-	(7,644)
Total current receivable	210,499	196,201

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. In 2005, City Council agreed to transfer the registered title of a property, at its fair value of \$7.1 million from the City to the Commission, solely to satisfy this receivable, but the transfer has not yet been finalized. In addition to the above current receivables, a long-term receivable from the City for non-cash employee benefit expenses is included in other assets (note 6).

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 \$94.0 million (2004 - \$69.4 million).

5. NET CAPITAL ASSETS

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

	2005	2004
		(\$000s)
Subway	2,405,197	2,342,364
Rolling stock	1,498,078	1,485,316
Buses	788,928	640,909
Buildings	605,836	522,337
Other equipment	476,506	453,232
Trackwork	455,603	425,055
Power distribution system	161,252	151,281
Construction in progress	152,162	197,542
Land	13,081	13,086
	6,556,643	6,231,122
Less accumulated depreciation	2,828,411	2,630,214
Net capital assets	3,728,232	3,600,908

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2005

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. At June 1, 2005 the insured value of all of the Commission's assets, not including land, was \$9.6 billion (2004 - \$9.0 billion).

6. OTHER ASSETS

The other assets are two bonds and a long-term receivable, as follows:

	2005	2004
		(\$000s)
City of Toronto bond [8.65% yield with 08JUN15 maturity]	546	546
Province of Ontario bond [5.375% yield with 02DEC12 maturity]	2,006	2,008
Long-term receivable from the City of Toronto	6,428	-
Total other assets	8,980	2,554

At December 31, 2005, the fair value of the bonds is \$2.9 million (2004 - \$2.8 million). The long-term, non-interest bearing, receivable from the City of Toronto for \$6.4 million reflects the delayed payment of subsidy for the non-cash portion of the post-retirement dental benefit expenses, as approved by City Council on May 17, 2005 (note 11). The long-term subsidy receivable will decrease in years when the cash flows for these employee benefits exceed the accounting expense.

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 \$0.7 million will be paid during 2006 and therefore this amount is included in accounts payable and accrued liabilities (2004 - \$0.9 million). In addition, the consolidated balance sheet includes a long-term provision for environmental costs of \$6.5 million (2004 - \$6.5 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, 2005, \$40.3 million (2004 - \$38.4 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.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 2005

9. NET CAPITAL CONTRIBUTIONS

The net capital contributions are as follows:

	2005	2004
		(\$000s)
Balance, beginning of year	3,497,383	3,433,385
Capital subsidies (note 12)	345,013	271,838
Amortization	(220,149)	(207,840)
Balance, end of year	3,622,247	3,497,383
Accumulated amortization recorded to date	2,499,147	2,305,482

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 supplemental pension plan, the effective date of the most recent actuarial valuation for funding purposes was January 1, 2005.

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.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 7

Year ended December 31, 2005

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

	Defined Benefit Supplemental Pension Plans	Post- Retirement Plans	Post- Employment Plans	2005 Total
				(\$000s)
Accrued benefit obligations	7,710	156,351	101,157	265,218
Fair value of plan assets	(5,238)	-	-	(5,238)
Funded status – plan deficit	2,472	156,351	101,157	259,980
Balance of unamortized amounts	555	(77,473)	(6,977)	(83,895)
Accrued benefit liability	3,027	78,878	94,180	176,085

	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

The defined benefit supplemental pension plan assets consist of 50% (2004 – 50%) equity index pooled funds and 50% (2004 - 50%) deposit in a Canada Revenue Agency non-interest bearing refundable tax account.

Costs recognized in the year

	2005	2004
		(\$000s)
Multi-employer defined benefit/defined contribution hybrid pension plan	45,033	42,900
Defined benefit supplemental pension plans	775	561
Post-retirement plans	21,131	20,414
Post-employment plans	23,688	18,807
Total costs	90,627	82,682

Approximately 91.4% (2004 – 91.9%) of the total costs is included in wages, salaries and benefits on the consolidated statement of operations and accumulated equity. The remaining 8.6% (2004 – 8.1%) has been charged to capital assets, in accordance with the Commission's capitalization policies.

Cash payments made in the year

	2005	2004
		(\$000s)
Multi-employer defined benefit/defined contribution hybrid pension plan	45,033	42,900
Defined benefit supplemental pension plans	272	285
Post-retirement plans	3,958	3,547
Post-employment plans	14,933	13,100
Total cash payments	64,196	59,832

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 2005

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 \$43.0 million in 2005 (2004 - \$40.9 million), which represented 6.25% of members' covered earnings up to the Canada Pension Plan yearly maximum pensionable earnings of \$41,100 in 2005 (2004 - \$40,500) and 7.85% of covered earnings in excess of this amount. In addition, the Commission contributed \$2.0 million in 2005 (2004 - \$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

	2005	2004
Accrued benefit obligations as at December 31:		
Discount rate	5.0%	6.0%
Rate of increase in earnings	3.6%	4.0%
Benefit costs for the years ended December 31:		
Discount rate	6.0%	6.0%
Rate of increase in earnings	4.0%	3.5%
Rate of return on assets	4.1%	4.0%

The Commission's rate of growth for health care costs, primarily drug costs, was estimated at 10% (2004 - 11%) 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 2005:

	Increase	Decrease
	(\$000s)	
Total costs	3,300	(2,600)
Accrued benefit obligations	27,400	(22,300)

11. OPERATING SUBSIDIES

The operating subsidies are:

(\$000s)	2005			2004
	Conventional	Wheel-Trans	Total	Total
Net operating costs	206,794	53,219	260,013	252,000
From retained earnings	-	-	-	8
Source of operating subsidies:				
- Province of Ontario (note 12(b))	90,955	-	90,955	90,300*
- City of Toronto	115,839	53,219	169,058	161,692*
Total operating subsidy (for Commission's consolidated financial statements)	206,794	53,219	260,013	251,992

TORONTO TRANSIT COMMISSION

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Year ended December 31, 2005

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 2005, the City allocated to the Commission's operating budget Provincial subsidy amounting to almost \$91 million (2004 - \$90.3 million*) from the gas tax (see note 12(b)). Currently, the total City operating subsidy amount is established as part of the City's annual budget process.

*Note: in February 2006, the Commission was advised that the amount of subsidy provided by the Province and allocated by the City to the operating budget in 2004 was \$90.3 million, not the previously reported amount of \$70.0 million.

City of Toronto subsidy (for information only)				
(\$000s)	2005			2004
	Conventional	Wheel-Trans	Total	Total
Operating subsidy from the City (see above)	115,839	53,219	169,058	161,692*
City special costs	2,042	-	2,042	3,031
Long-term receivable (note 6)	(6,428)	-	(6,428)	-
Contributions to the City Reserve Funds (note 13):				
TTC Stabilization Reserve Fund	24,368	517	24,885	-
TTC Land Acquisition Reserve Fund	1,704	-	1,704	-
TTC Capital Financing Reserve Fund	-	-	-	6,261
Total City operating subsidy (in accounts of the City of Toronto)	137,525	53,736	191,261	170,984*

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 long-term receivable reflects the delayed payment of subsidy for the non-cash portion of the post-retirement dental benefit expenses, as approved by City Council on May 17, 2005 (note 6).

The total City operating subsidy recognized in 2004 was \$8.8 million less than the approved amount.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 2005

12. CAPITAL SUBSIDIES

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

(\$000s)	2005	2004
Source of capital subsidies:		
- City of Toronto	112,547	208,683
- Province of Ontario	68,924	51,093
- Federal Government of Canada	163,542	12,062
Total capital subsidies	345,013	271,838

(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. As such, the Commission has claimed from the City the total 2005 capital subsidy of \$345.0 million (2004 - \$271.8 million). The following disclosures regarding subsidy claims from the Provincial and Federal Governments are based on the City's and the Commission's understanding of the various agreements and commitments.

(b) Province of Ontario

Capital subsidies claimed under the various provincial programs are as follows:

(\$000s)	2005	2004
Source of capital subsidies:		
- OTVP/OTRP	32,538	21,524
- CSIF	34,004	25,009
- TTIP/GTIP	2,382	4,560
Total Provincial capital subsidies	68,924	51,093

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"), subsequently renamed the Ontario Transit Vehicle Program ("OTVP"), to assist municipalities in replacing and refurbishing their existing transit fleets. Of the total \$51.7 million (2004 - \$32.1 million) funding approved, the Commission has claimed \$32.5 million (2004 - \$21.5 million) under the OTVP/OTRP program and the remaining \$19.2 million (2004 - \$10.6 million) has been claimed as part of the \$34.0 million (2004 - \$25.0 million) Canadian Strategic Infrastructure Fund ("CSIF") subsidy reported above. This reallocation fulfils a portion of the Province's commitment under the CSIF program, details of which are provided later in this note.

The Province had announced funding commitments totalling \$33.7 million in 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, an agreement has not yet been finalized and no funding has yet been received by the City. In 2005, the Commission claimed from the City costs incurred of \$2.4 million (2004 - \$4.6 million) in connection with approved projects.

TORONTO TRANSIT COMMISSION

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Year ended December 31, 2005

In October 2004, the Province introduced gas tax funding to municipalities for public transit. Commencing at 1 ¢/litre, the funding is based on a province-wide 70% ridership and 30% population allocation base, updated annually. The funding rate increased to 1 ½ ¢/litre, effective October 2005 and the City has directed the \$91 million it will receive for 2005 toward the Commissions' operating needs (note 11). The City has indicated that a portion of gas tax funding in future years will be applied to capital needs.

(c) **Federal Government of Canada**

Capital subsidies claimed under the various federal programs are as follows:

(\$000s)	2005	2004
Source of capital subsidies:		
- CSIF	16,248	12,062
- Base gas tax funding	48,868	-
- Additional gas tax for transit	98,426	-
Total Federal capital subsidies	163,542	12,062

In April 2002, the Federal Minister of Transport announced funding of \$76 million for the Commission's capital modernization and improvement program. The final instalment of this funding was received in 2003 from the Federal Government through the Canada-Ontario Infrastructure Program ("COIP"). 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 since early 2004.

On March 30, 2004, the Federal, Provincial, and City of Toronto 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. Work is in progress on developing an approved business case and a final contribution agreement with the Federal Government, following which, funds will flow on eligible projects. Funding for the eligible expenditures incurred in 2005 of \$16.2 million (2004 - \$12.1 million) was claimed, however, a final agreement must be executed before funding will flow to the City.

In June 2005, a joint announcement by the Federal, Provincial, and City of Toronto Governments and the Association of Municipalities of Ontario was made in connection with the signing of two federal gas tax funding agreements under the "New Deal for Cities and Communities". The Base Gas Tax funding agreement is expected to result in some \$1.86 billion being passed to Ontario over five years for environmentally sustainable municipal infrastructure. It is based on population and will grow from 1 ½ ¢/litre to 5 ¢. The Commission has claimed \$48.9 million in 2005 under the program.

An "Additional Gas Tax Funding for Transit" funding agreement is expected to result in a further \$310 million being passed to Ontario over two years for public transit infrastructure. This funding is based on ridership. Anticipated funding in 2005 for the City is \$98.4 million under this agreement. However, a final agreement must be executed before funding will flow to the City.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 12

Year ended December 31, 2005

13. CITY RESERVE FUNDS

The City maintains in its accounts interest bearing Reserve Funds, comprised of funds set aside for specific purposes by City Council. A number of these Reserve Funds have been created specifically for matters related to the Commission. Contributions to and draws from these Reserve Funds may be made by the Commission, or the City, upon approval by City Council.

The balances and transactions related to the Reserve Funds created for the Commission are presented below. The reported amounts are based on preliminary estimates as of the date of the financial statements and are subject to City Council approval. Any changes resulting from subsequent City Council approvals will be reflected in future financial statements.

(\$000s)	2005			2004	
	Stabilization	Land Acquisition	Capital Financing	Total	Total
Balance, beginning of year	-	1,772	6,261	8,033	-
Commission contributions	24,885	1,704	-	26,589	6,261
Commission draws	-	-	(6,261)	(6,261)	-
City contributions	-	400	-	400	1,772
Interest earned	-	85	-	85	-
Balance, end of year	24,885	3,961	-	28,846	8,033

The Stabilization Reserve Fund was created to stabilize the funding of the Commission's operating expenditures over time. In 2005, the Commission contributed \$24.9 million (note 11) representing its operating surpluses for the year. Any operating deficits, to the limit of the Reserve Fund's balance and after approval from City Council, may be covered by a draw from this Reserve Fund.

The Land Acquisition Reserve Fund was created to fund future land acquisitions by the City for the Commission's use. In 2004, the City contributed the \$1.7 million proceeds from the sale of its Walmer Road property. In 2005, the Commission contributed the net gain of \$1.7 million (note 11) from the sales of its Beresford substation and St. John's Weston loop properties and the City contributed the \$0.4 million deposit received from the sale of a portion of its Tapscott property.

The Capital Financing Reserve Fund was created to fund the acquisition of buses. In 2004, the Commission contributed the net gain of \$6.3 million (note 11) from assessing liquidated damages against its supplier of buses. In 2005, the Commission drew the \$6.3 million (note 11) balance of the Reserve Fund to fund the acquisition of 12 buses (Note 14(d)).

14. 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

TORONTO TRANSIT COMMISSION

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Year ended December 31, 2005

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) Pursuant to an arbitrator's ruling, the Commission is currently involved with settling a labour-related grievance. The outcome of the 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, 2005, 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. At December 31, 2005, all additional 250 vehicles had been delivered, plus a further 12 vehicles. These additional vehicles were delivered in lieu of Orion being assessed liquidated damages for delivery delays, bringing the total number of vehicles delivered for this order to 482. Additional costs in the amount of \$19.1 million were incurred. They mainly related to contract amendments for escalation related to the Producers Price Index and for the installation of a fire suppression system. This brought the total contract cost to \$260.1 million, of which \$256.0 million had been paid by December 31, 2005.
- (e) In February 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 to be delivered in 2006, and 180 diesel buses, of which 80 are to be delivered in 2006 and the remaining 100 in 2007. Subsequent to this award, this contract has been amended by \$1.5 million, mainly due to a requirement for a fire suppression system to be added. This now brings the contract cost to \$209.6 million.
- (f) The Commission has contracts for the construction and implementation of various capital projects. At December 31, 2005, these contractual commitments are approximately \$63.6 million (2004 - \$50.1 million).
- (g) The Commission leases certain premises under operating lease agreements. The approximate future minimum annual lease commitments are as follows:

2006	\$2,700,000
2007	1,500,000
2008	2,200,000
2009	2,200,000
2010	2,200,000
Thereafter	4,700,000

15. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 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.

Toronto, Canada,
March 8, 2006.

Ernst + Young LLP
Chartered Accountants

TORONTO TRANSIT COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

(\$000s)	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT CONSULTANTS LIMITED (TTCL)	TORONTO COACH TERMINAL INC. (TCTI)	TTC INSURANCE COMPANY LIMITED (TTCIC)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	CONSOLIDATED FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS								
Revenue								
Passenger services	(711,778)	(2,731)	-	-	-	(714,509)	-	(714,509)
Advertising	(14,515)	-	-	-	-	(14,515)	-	(14,515)
Outside City services	(12,678)	-	-	-	-	(12,678)	-	(12,678)
Property rental	(10,817)	-	-	(910)	-	(11,727)	-	(11,727)
Miscellaneous	(3,656)	-	(3)	(4,576)	(38)	(8,273)	469	(7,804)
Total revenue	(753,444)	(2,731)	(3)	(5,486)	(38)	(761,702)	469	(761,233)
Expenses								
Wages, salaries and benefits	737,502	32,620	-	3,069	-	773,191	-	773,191
Depreciation	233,973	-	-	408	-	234,381	-	234,381
Amortization of capital contributions	(220,149)	-	-	-	-	(220,149)	-	(220,149)
Materials, services and supplies	109,081	5,631	-	633	38	115,383	-	115,383
Vehicle fuel	34,653	1,319	-	-	-	35,972	-	35,972
Electric traction power	28,455	-	-	-	-	28,455	-	28,455
Accident claims	16,112	(422)	-	302	-	15,992	38	16,030
Utilities	14,076	472	-	170	-	14,718	-	14,718
Property taxes	6,535	600	-	462	-	7,597	-	7,597
Wheel-Trans contract services	-	15,730	-	-	-	15,730	-	15,730
Interest expense net	-	-	-	469	-	469	(469)	-
Income tax	-	-	-	38	-	38	(38)	-
Total expenses	960,238	55,950	-	5,551	38	1,021,777	(469)	1,021,308
Net operating costs/(income)	206,794	53,219	(3)	65	-	260,075	-	260,075
Operating subsidy from the Province	(90,955)	-	-	-	-	(90,955)	-	(90,955)
Operating subsidy from the City	(115,839)	(53,219)	-	-	-	(169,058)	-	(169,058)
Net operating (surplus)/shortfall	-	-	(3)	65	-	62	-	62
Accumulated (equity)/deficit, beginning of the year	(14,196)	-	(40)	4,532	-	(9,704)	(5,493)	(15,197)
Accumulated (equity)/deficit, end of the year	(14,196)	-	(43)	4,597	-	(9,642)	(5,493)	(15,135)
Not on the Commission's consolidated financial statements - Reconciliation to the City operating subsidy								
Operating subsidy from the City (as above)	115,839	53,219	-	-	-	169,058	-	-
Operating subsidies - long-term payable for employee benefits	(6,428)	-	-	-	-	(6,428)	-	-
City special costs	2,042	-	-	-	-	2,042	-	-
Contribution to the City's TTC Land Acquisition Reserve Fund	1,704	-	-	-	-	1,704	-	-
Contribution to City's TTC Stabilization Reserve Fund	24,368	517	-	-	-	24,885	-	-
Total City operating subsidy	137,525	53,736	-	-	-	191,261	-	-
BALANCE SHEET								
Current Assets								
Cash and cash equivalents	16,298	-	143	2,604	1,400	20,445	-	20,445
Accounts receivable								
City of Toronto	210,507	-	-	94	-	210,507	(8)	210,499
Other	14,435	-	-	-	-	14,435	(594)	13,935
Spare parts and supplies inventory	70,688	-	-	1,300	-	70,688	-	70,688
Advances to subsidiary	-	-	-	-	40,265	1,300	(1,300)	-
Indemnity receivable from the Commission	-	-	-	-	-	40,265	(40,265)	-
Prepaid expenses	4,060	-	-	-	-	4,060	-	4,060
	315,988	-	143	3,998	41,665	361,794	(42,167)	319,627
Long-term Assets								
Net capital assets	3,721,330	-	-	6,902	-	3,728,232	-	3,728,232
Investment in subsidiary	8,980	-	-	-	-	8,980	-	8,980
Other assets	7,873	-	-	100	-	7,973	(7,973)	-
	4,054,171	-	143	11,000	41,665	4,106,979	(50,140)	4,056,839
Current Liabilities								
Accounts payable and accrued liabilities	(150,513)	-	-	(880)	-	(151,393)	10	(151,383)
Deferred passenger revenue	(34,500)	-	-	-	-	(34,500)	-	(34,500)
Unsettled accident claims	(16,331)	-	-	(50)	(40,265)	(56,646)	40,265	(16,381)
Income taxes payable	-	-	-	(2)	-	(2)	2	-
Due to parent	-	-	-	(12,856)	(1,300)	(14,156)	14,156	-
	(201,344)	-	-	(13,788)	(41,565)	(256,697)	54,433	(202,264)
Long-term Liabilities								
Net capital contributions	(3,622,247)	-	-	-	-	(3,622,247)	-	(3,622,247)
Employee benefits	(176,085)	-	-	-	-	(176,085)	-	(176,085)
Unsettled accident claims	(33,769)	-	-	(350)	-	(34,119)	-	(34,119)
Environmental and other liabilities	(6,530)	-	-	(459)	-	(6,989)	-	(6,989)
	(4,039,975)	-	-	(14,597)	(41,565)	(4,096,137)	54,433	(4,041,704)
Capital Stock	-	-	(100)	(1,000)	(100)	(1,200)	1,200	-
Accumulated (equity)/deficit	(14,196)	-	(43)	4,597	-	(9,642)	(5,493)	(15,135)
	(4,054,171)	-	(143)	(11,000)	(41,665)	(4,106,979)	50,140	(4,056,839)

Salary Disclosure – 2005

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 2005.

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Younane Abdulbaki	Operator	107,354	76
Frank Ancona	Foreperson – Structure Rehabilitation	118,996	76
Terry Andrews	Chief Special Constable	120,231	3,253
Michael Atlas	Solicitor	101,812	76
Warren Bartram	General Superintendent- Track & Structure	153,940	3,253
Kent Bayley	Senior Design Engineer – Communications	107,657	76
Richard Beckingham	Survey Party Chief	106,673	76
Richard Beecroft	Chief Auditor – Internal Audit	131,427	3,253
Andy Bertolo	Chief Project Manager – Construction	153,940	3,253
Vito Binetti	Foreperson – Surface Track	107,234	76
Scott Blakey	Executive Director - Human Resources	162,862	3,253
Robert Boutilier	Deputy General Manager – Surface Operations	174,379	7,609
James Bozinovski	Foreperson – Wiring and Service Surface	105,706	76
Michele Brewer	Superintendent – Payroll and Benefits Accounting	106,198	76
Frank Brooks	Slip Clerk	106,198	76
William Brown	Manager – Vehicle Engineering	135,776	3,253
Joseph Brunaccioni	Supervisor – Substations/Power Control	103,488	76
David Brunt	Supervisor - Signals	100,887	76
Paul Buttigieg	Chief Accountant – Financial Services	111,711	76
John Cannell	Manager – Pension Fund Society	131,427	3,253
John Cannito	Foreperson – Wiring & Service	107,015	76
John Cannon	Chief Information Officer	144,734	3,253
Giuseppe Causcelli	Foreperson – Subway and Scarborough Rapid Transit Track	103,809	76
John Chamberlain	Senior Superintendent – Surface Transportation	107,116	76
Dora Cheng	Director – Application Services	111,644	76
Allen Chocorlan	Manager – Materials and Procurement	153,940	3,253
Teresa Clarke	Director – Compensation & Benefits	110,542	76
Dennis Clarkson	Senior Designer – Communications	109,991	76
Jay Climenhaga	Head – Structural Design	103,365	76
Rick Cornacchia	Deputy General Manager – Subway Operations	174,379	7,609
Gerald Coveny	Head - Standards	101,788	76
Frank Currie	Service Support – Wheel-Trans	100,473	76
Michael Dalessandro	Foreperson – Communications	101,058	76
Naifeer Damji	Station Collector	115,388	76
Kathryn Dean	Manager – Training	131,427	3,253
Anthony Deluca	Senior Foreperson – Queensway Garage	108,662	76
Adelio Distefano	Supervisor – Structure Maintenance	112,867	76
David Dixon	General Superintendent – Bus Maintenance	158,104	3,253
Robert Dorosch	Superintendent - Schedules	119,721	76
Robert Dougherty	Superintendent– Rail Cars & Shops Maintenance Engineering	111,643	76
Richard Ducharme	Chief General Manager	260,480	13,807
Petrut Dumitriu	Foreperson – Structure Rehabilitation	105,977	76
Les Elbert	Senior Systems Analyst	101,327	76
George Esson	Senior Roadmaster	119,223	76
John Ewing	Senior Designer – Signals	125,172	76
John Ferguson	Supervisor – Wiring and Service Subway	106,572	76
Derick Finn	General Superintendent – Signals/Electrical/Communications	153,940	3,253
Silvano Florindi	Project Manager	112,733	76
Gerard Flynn	Foreperson – Surface Track	102,601	76
James Fraser	Superintendent – Rail Cars & Shops	110,017	76
William Frost	Manager – Support Services	117,483	2,988
Herrick Fu	Senior Systems Analyst	101,609	76
Ted Galea	Superintendent – Transportation Queensway Division	104,387	76
Stephen Gardner	Foreperson – Wiring and Service Surface	104,372	76
Sameh Ghaly	Project Manager	109,016	76
Richard Greeley	Foreperson – Wiring and Service Surface	102,649	76
Alan Hanson	Sergeant Patrol Division	105,533	76
Chris Heinz	Deputy Chief Information Officer	105,564	2,739
Lynn I. Hilborn	Deputy General Manager – Corporate	174,379	7,609
Murray Hill	Superintendent – Special Events	105,236	76
David Hughes	Manager – Revenue Operations	111,321	1,051
Robert Hughes	Chief Project Manager – TTC/GTA Farecard Project	131,427	3,253
Roger Hunt	Supervisor – Signals	106,212	76
Anthony Iannucci	Director – Technical Services	111,643	76
Bruce Janes	Supervisor – Subway and Scarborough Rapid Transit Track	117,197	76
Mladen Jeftic	Head – Electrical Engineering	111,644	76
Orest Kobylansky	General Superintendent – Streetcar Maintenance	136,338	3,253
Stanley Koper	Superintendent – Wilson Carhouse	111,643	76
Stephen Lam	Superintendent – Vehicle Engineering	111,643	76
Edward Lautsch	Head Special Projects – Signals/Electrical/Communications	109,176	76
Brian Leck	General Counsel	153,940	3,253
Donald Leger	General Superintendent - Plant Maintenance	153,940	3,253

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Brian Longson	Superintendent – Subway and Scarborough Rapid Transit Track	111,644	76
Edwin Louis	Foreperson – Signals	101,278	76
Graham Low	Senior Superintendent – Heavy Maintenance Harvey Shop	111,671	3,253
Alastair MacDonald	Assistant Manager – Purchasing & Sales	102,824	76
Daniel MacKinnon	Senior Engineer – Mechanical	107,151	76
Jaggernauth Maharaj	Chief Accountant – Payroll and Costs	120,286	76
Geoffrey Marinoff	General Superintendent – Rail Cars and Shops	151,976	3,253
Horace McBean	Shift Foreperson – Wheel-Trans	101,054	76
Ian McCreath	Superintendent – Graphic Services	102,086	76
Karen McGuire	Associate General Counsel	131,427	3,253
Stuart McKay	Senior Design Engineer – Signals	112,277	76
Raymond McKenzie	Operator	101,671	76
James McTague	Foreperson – Signals	102,961	76
Murali Menon	Senior Engineer – Electrical	108,856	76
Thomas Middlebrook	Chief Engineer	153,940	3,253
Paul Millett	General Superintendent – Subway Transportation	153,940	3,253
Fortunato Monaco	Supervisor – Substation and Power Control	102,273	76
Ralph Morris	Senior Superintendent – Greenwood Shop	100,099	76
Luigi Narduzzo	Supervisor – Leak Remediation	111,572	76
John O'Grady	Chief Safety Officer	131,427	3,253
Brian O'Neill	Deputy Chief – Engineering Design	102,233	76
David Partington	Senior Superintendent – Heavy Maintenance Duncan Shop	111,698	3,253
Tony Pereira	Superintendent - Communications Bus and Rail	103,981	76
John Pelleci	Supervisor – Communications	106,043	76
Austin Pires	Foreperson – Subway Carhouse	101,215	76
Zahir Pimohamed	Garage Foreperson	100,102	76
Gerald Porter	Operator	105,921	76
Norma Priday	Solicitor	105,921	76
Milan Pristupa	Superintendent – Signals/Electrical/Communications Engineering	120,017	76
Snezana Pupavac	Head – Communications Engineering	111,643	76
Susan Reed Tanaka	Construction Manager	133,092	3,253
Mark Reidak	Superintendent – Signals	104,076	76
Donald Robertson	Foreperson – Surface Track	110,522	76
Michael Roche	Chief Financial Officer	153,940	3,253
Vincent Rodo	General Manager – Executive/General Secretary	197,657	13,807
Roberto Rosati	Project Supervisor – Tunnel Liners	114,606	76
Michael Schmidt	Sergeant Patrol Division	102,873	76
Gordon Seggie	Roadmaster – Subway and Scarborough Rapid Transit Track	118,985	76
John Sepulis	General Manager – Engineering & Construction	196,844	13,807
Jasvinder Singh	Foreperson – Subway and Scarborough Rapid Transit Track	116,115	76
Alice Smith	Chief Marketing Officer – Acting	108,505	76
Bruce Smith	Supervisor – Communications	105,139	76
Howard Smith	General Superintendent – Surface Transportation	147,472	3,253
Ira Stambler	Manager – Service Planning	131,554	3,253
Sean Tangney	Slip Clerk	106,218	76
James Teeple	Superintendent – Streetcar Way	103,488	76
Robert Thacker	General Superintendent - Wheel-Trans Operations	153,940	3,253
Richard Thompson	Project Manager	111,644	76
Peter Turner	Foreperson – Signals	102,314	76
Richard Vince	Deputy Chief Engineer – Controls	111,643	76
Rosario Visconti	Assistant Superintendent – Wheel-Trans Operations	108,623	76
Lisa Walsh	Director – Employee Relations	118,125	76
Keith Watling	Head – Signals Engineering	111,647	76
Kirsten Watson	Senior Director – Human Resources	136,509	3,253
Gary Webster	General Manager – Operations	197,657	13,807
Charles Wheeler	Manager – Property Development	131,427	3,253
Leonard Wilgus	Senior Solicitor	111,644	3,253
Kee Wong	Superintendent – Plant Maintenance Engineering	111,643	76
Michael Wood	Senior Designer – Track	101,864	76
Terence Ying	Senior Database Analyst	100,611	76
Akram Yoannis	Project Manager	100,648	76

TORONTO TRANSIT COMMISSION

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

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
OPERATING STATISTICS (regular service inside the City)										
Passenger Trips (Millions)	431.2	418.1	405.4	415.5	420.0	410.6	392.6	388.7	379.9	372.4
Basic Adult Ticket Fare (at December 31) (\$)	2.00	1.90	1.90	1.80	1.80	1.70	1.70	1.60	1.60	1.60
Average Number of Employees (including TCTI)	10,669	10,553	10,450	10,356	10,191	10,095	10,049	9,462	9,133	9,129
Average Hourly Wages & Benefits per Operator (\$)	37.02	35.79	34.79	33.45	32.29	31.25	30.20	29.06	28.99	29.72
Kilometres Operated (Millions)										
Bus	102.9	100.7	99.8	100.4	97.7	95.0	94.4	94.5	93.7	93.7
Subway Car	77.7	78.4	77.5	76.2	75.5	74.4	67.4	67.6	65.5	63.9
Streetcar	11.7	12.2	11.8	11.3	11.7	11.3	11.4	12.1	10.6	10.9
Scarborough RT	4.3	4.4	4.1	4.3	4.4	4.2	3.9	4.1	3.7	3.6
Total Kilometres Operated	196.6	195.7	193.2	192.2	189.3	184.9	177.1	178.3	173.5	172.1
OPERATING REVENUE STATISTICS										
Operating Revenue – including property rental, etc. (\$ Millions)	753.4	731.2	703.0	687.8	670.6	630.2	585.2	563.9	559.4	514.8
Operating Revenue per Passenger Trip (\$)	1.75	1.75	1.73	1.66	1.60	1.53	1.49	1.45	1.47	1.38
Operating Revenue per Kilometre (\$)	3.83	3.74	3.64	3.58	3.54	3.41	3.30	3.16	3.22	2.99
OPERATING EXPENSE STATISTICS										
Operating Expenses (\$ Millions)	960.2	932.7	899.0	848.9	797.2	745.1	706.8	702.8	703.5	684.0
Operating Expense per Passenger Trip (\$)	2.23	2.23	2.22	2.04	1.90	1.81	1.80	1.81	1.85	1.84
Operating Expense per Kilometre (\$)	4.88	4.77	4.65	4.42	4.21	4.03	3.99	3.94	4.05	3.97
OPERATING SUBSIDY STATISTICS										
Operating Subsidy (\$ Millions) (See Note 13)	206.8 ¹²	201.5 ¹¹	179.2 ¹⁰	161.1 ⁹	126.6 ⁸	112.5 ⁷	121.5 ⁶	138.9 ³	158.9	169.2 ¹
Operating Subsidy per Passenger Trip (\$)	0.48	0.48	0.44	0.39	0.30	0.27	0.31	0.36	0.42	0.45
Operating Subsidy per Kilometre (\$)	1.05	1.03	0.93	0.84	0.67	0.61	0.69	0.78	0.92	0.98
OPERATING DEFICIT/(SURPLUS) STATISTICS (see Notes for details)										
Operating Deficit/(Surplus) (\$ Millions)	-	-	16.9 ¹⁰	-	-	2.4 ⁷	-	-	(14.8) ²	-
Operating Deficit/(Surplus) per Passenger Trip (\$)	-	-	0.04	-	-	0.01	-	-	(0.04)	-
Operating Deficit/(Surplus) per Kilometre (\$)	-	-	0.09	-	-	0.01	-	-	(0.09)	-
REVENUE/COST RATIO										
	78.5% ⁵	78.4% ⁵	78.2% ⁵	81.0% ⁵	84.1% ⁵	84.6% ⁵	82.8% ⁵	80.2% ⁴	80.4%	75.7%
CAPITAL ASSETS (Conventional & Wheel-Trans)										
Investment in Capital Assets at December 31 (\$ Millions)										
Gross Investment (before contributions & depreciation)	6,541.8	6,216.5	5,948.7	5,733.5	5,514.5	5,230.3	4,849.2	4,258.4	3,721.2	3,353.6
City, Provincial, & Federal Contributions	(6,123.1)	(5,802.9)	(5,543.0) ¹⁴	(5,337.2) ¹⁴	(5,121.5) ¹⁴	(4,925.4)	(4,547.2)	(3,951.8)	(3,420.8)	(3,055.9)
TTC Investment (before depreciation)	418.7	413.6	405.7	396.3	393.0	304.9	302.0	306.6	300.4	297.7
PASSENGER VEHICLE FLEET										
(Conventional & Wheel-Trans, owned or leased and in service at December 31)										
Buses	1,491	1,502	1,489	1,468	1,480	1,468	1,483	1,498	1,468	1,525
Subway Cars	678	684	684	692	692	672	660	638	620	640
Streetcars	248	248	248	248	248	248	248	248	248	248
Scarborough RT Cars	28	28	28	28	28	28	28	28	28	28
Wheel-Trans Buses	145	145	144	135	142	149	150	140	140	140
Total Vehicle Fleet	2,590	2,607	2,593	2,571	2,590	2,565	2,569	2,552	2,504	2,581

NOTES:

- 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.
- In 1997, the \$14.8 million net operating surplus increased the Commission's accumulated equity.
- On January 1, 1998, the City of Toronto assumed all assets and liabilities of Metro and all Provincial operating subsidiaries 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.
- 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).
- The 2005, 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.
- 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.
- 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 net operating deficit reduced the Commission's accumulated equity.
- 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 the City special costs.

- 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, and \$2.9 million for the City special costs, less a \$24.5 million draw from the TTC Stabilization Reserve Fund.
- 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 the City special costs. The \$16.9 million net operating deficit reduced the Commission's accumulated equity.
- In 2004, the total subsidy paid by the City was \$114.2 million, consisting of \$111.2 million for the operating subsidy and \$3.0 million for the City special costs. The City allocated \$90.3 million of Provincial subsidy to the operating budget – amount revised in 2006. 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.
- In 2005, the total subsidy paid by the City was \$137.5 million, consisting of \$115.8 million for the operating subsidy, \$2.0 million for the City special costs, \$1.7 million for the TTC Land Acquisition Reserve Fund and \$24.4 million for the TTC Stabilization Reserve Fund, less a \$6.4 million long-term payable for employee benefits. The City allocated \$91.0 million of Provincial subsidy to the operating budget.
- 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.
- 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 – 2005

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

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

David Hughes
Manager
Revenue Operations

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

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