

# **ANNUAL REPORT**

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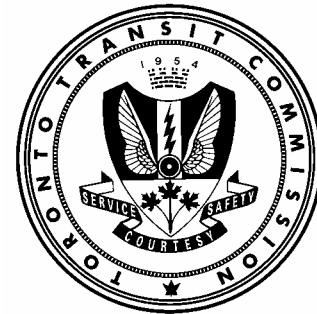
**2006**



**TORONTO TRANSIT COMMISSION**

# 2006 ANNUAL REPORT

Toronto Transit Commission



As at December 31, 2006



**Chair**  
Adam Giambrone



**Vice-Chair**  
Joe Mihevc

## Commissioners



Sandra Bussin



Glenn  
De Baeremaeker



Suzan Hall



Peter Milczyn



Anthony  
Perruzza



Bill Saundercook



Michael  
Thompson

## Letter from the Chair

DATE: June, 2007

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

It is my privilege to submit the 2006 Annual Report for the Toronto Transit Commission, my first such honour since being named Chair of the TTC in December of last year.

Funding for public transit in Toronto continues to be a key issue for not only residents of Toronto, but those in the 905 region and beyond. Sustainable funding from all three orders of government is critical if the TTC is not only to expand, but more importantly, to maintain its current fleet of buses, subways and streetcars, and the massive infrastructure associated with it in a state of good repair.

In December, the TTC received Treasury Board approval of Canada's one-third share of a \$1.050 billion funding allocation through the Canada Strategic Infrastructure Fund Program (CSIF). Other equal partners are the Province of Ontario and the City of Toronto. This funding will go towards the purchase of 78 new subway cars, the installation of more elevators for easier access to subway stations, subway and surface infrastructure improvements, Bus Rapid Transit routes and right-of-way improvements on St. Clair Avenue and Fleet Street.

- Provincial funding for 2006 of \$145 million, which includes \$37 million in CSIF funding, \$39 million in gas tax (net of \$92 million which the City of Toronto applied to operating), vehicle funding of \$64 million and Transit Technology and Infrastructure Program funding payment of about \$5 million.
- Federal funding for 2006 was \$166 million, which includes \$43 million in CSIF funding, gas tax funding of \$49 million, and an allocation of Public Transit Capital Trust funding (based on ridership) of \$74 million.

On February 8, 2006 the Commission approved a fare increase, to take effect April 1, 2006. Adult tickets/tokens, purchased in quantities of 5 or 10 increased by 10 cents. The cash fare increased by 25 cents to \$2.75. The transferable adult Metropass increased by \$1.00. Fares for students, seniors and children increased as well.

In August, the TTC recommended the purchase of 234 new subway cars from Bombardier. The total cost for the new subway cars contract is \$674.8 million, with delivery to begin in 2009. The new subway trains will be delivered as 6-car trains, with an open car design that will allow passengers to move freely along the full length of the train. The decision to sole source the contract was reviewed by rail consultants Booz Allen Hamilton Incorporated and Interfleet Technology Incorporated. Both firms concluded that the Bombardier price was reasonable.

The TTC constructed a mock-up of the new train, and invited comments from our customers. As well, a special contest was held to select a name for the new train. More than 3,000 entries were submitted. When delivered in 2009, the train will be known as the "Toronto Rocket."

For the seventh consecutive year, ridership on the TTC was more than 400 million rides. In 2006, the TTC carried 444.5 million passenger trips, an increase of 13.3 million from 2005. This increase is partly the result of the TTC's Ridership Growth Strategy.

In part, the strategy makes surface routes move faster, which is key to a successful trip as 60-80 percent of the 1.4 million daily riders use a bus or streetcar for all or part of their transit trip.

In 2006, approximately 135 service increases were made on 50 routes, to reduce crowding. Three route changes were made to improve service for customers. As well, schedules were changed on 18 routes to make service more reliable, and new accessible service was introduced on 8 bus routes.

Early in 2006, the Ontario Court of Appeal ruled in favour of the streetcar right-of-way on St. Clair Avenue West. Once completed in 2009, service on the 512 St. Clair route will see faster travel speeds, improved service reliability and increased ridership because of the improved service quality and travel speeds.

In 2005, the TTC introduced a transferable Metropass and a new transferable Weekly Pass. Both of these initiatives continue to grow in popularity.

#### Transferable Metropass

- Approximately 2.6 million adult/senior/student Metropasses were sold in 2006, an increase of 21 percent from the previous year.

#### New Transferable Weekly Pass

- Approximately 320,000 adult/senior/student passes were sold in 2006.

The TTC continued on the road to greater accessibility, with the opening of new elevators at Broadview and Jane stations. Today, a total of 71 elevators make 25 subway and Scarborough RT stations accessible. The TTC's elevator installation project is scheduled to complete another 6 elevators at Osgoode, York Mills, St. Clair and Lawrence West stations in 2007. By the end of 2007, approaching half (30 of 69 stations) of the subway/rt system will be fully accessible.

Late last year, the TTC accepted delivery of its 1,000th accessible bus. The Commission has made great strides over the years to make service more accessible. Lift or ramp equipped buses and low-floor buses currently serve more than half of the TTC's 166 surface routes.

Construction continued in 2006 on the Mount Dennis Bus Garage. When officially opened in 2007, the 23,000 square metre facility will house 250 buses and become the TTC's 7th bus division.

Security of customers, employees and property remains a top priority for the TTC. Following a recommendation from the joint Management/Union Operator Assault Task Force, the issue of providing protective barriers for our Operators was brought forward. A prototype barrier was displayed at each TTC division. The decision on whether to proceed with the installation will rest with the people the barriers are designed to protect - our Operators.

In 2006, 11 more TTC Special Constables were hired, bringing the total to 87.

TTC Special Constable Services made headlines in February of 2006, following the completion of "Operation Doolittle." TTC Special Constables, along with Toronto Police Service, the FBI and several other law enforcement agencies on both sides of the border investigated the counterfeiting of TTC tokens, which cost the TTC an estimated \$8 million in lost revenue over

two years. Arrests were made and those charged in Ontario are still before the courts.

As a result of the token counterfeiting ring, the Commission decided to introduce a new token. The TTC purchased 20 million new two-coloured tokens. On an average day, 250,000 tokens are used on the TTC, which represents 17 percent of riders.

Once again, TTC employees and pensioners demonstrated their commitment to helping those in need. In 2006, TTC employees and pensioners raised \$1,180,000 for the Greater Toronto United Way Campaign. Over the past five years, our employees and pensioners have raised more than \$6 million for the United Way.

My congratulations to all who donated to the TTC's United Way campaign and especially to those who volunteered their time to sell pizzas, hold raffles and organized special fundraising events throughout the campaign.

The TTC also provided a central, high-level traffic venue for various fundraising efforts throughout 2006. From daffodil sales by the Canadian Cancer Society to Raising the Roof, which provides support to the homeless, charitable fundraising activities on TTC property raised more than \$500,000 in 2006.

TTC Operator Visnue Samaroo noticed a confused young girl while driving his bus. He stopped and offered the young child assistance. Through his actions, the lost girl was re-united with her mother. For his actions, Operator Samaroo was honoured as the TTC's Transit Community Watcher of the Year.

And it was a fun time on the TTC for several months in 2006. At the recommendation of my predecessor, Howard Moscoe, the TTC entertained customers during a "Pizzazz" campaign. TTC customers experienced entertaining acts such as music, dance and magic, just to name a few.

I would like to thank former Chair Howard Moscoe, Councillors Brian Ashton and Mark Grimes, and former Councillor Peter Li Preti, all of whom also served on the Commission in 2006.

I would like to thank former Chief General Manager Rick Ducharme for his many years of dedicated service to the TTC and the citizens of Toronto. I would also like to thank Gary Webster for accepting the position of Interim Chief General Manager while we conduct a search to fill the position permanently.

In conclusion, I would like to thank my fellow Commissioners and look forward to working with them during this term: Joe Mihevc (Vice-Chair), Sandra Bussin, Glenn De Baeremaeker, Suzan Hall, Peter Milczyn, Anthony Perruzza, Bill Saundercook and Michael Thompson.

A handwritten signature in black ink, appearing to read 'adam Giambrone', written in a cursive style.

Adam Giambrone  
Chair

Consolidated Financial Statements of

**TORONTO TRANSIT COMMISSION**

Year ended December 31, 2006

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## AUDITORS' REPORT

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

We have audited the consolidated balance sheet of **Toronto Transit Commission** as at December 31, 2006 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, 2006 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 29, 2007.

*Ernst & Young LLP*

Chartered Accountants

# TORONTO TRANSIT COMMISSION

Consolidated Balance Sheet  
As at December 31

	2006	2005
	(\$000s)	(\$000s)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	41,661	20,445
Accounts receivable		
City of Toronto (note 4)	224,226	210,499
Other	28,515	13,935
Spare parts and supplies inventory	74,636	70,688
Prepaid expenses	7,852	4,060
	376,890	319,627
<b>Long-term</b>		
Net capital assets (note 5)	3,948,879	3,728,232
Other assets (note 6)	26,335	8,980
	4,352,104	4,056,839

## LIABILITIES AND ACCUMULATED EQUITY

<b>Current</b>		
Accounts payable and accrued liabilities (note 7)	195,712	151,383
Deferred passenger revenue	41,730	34,500
Unsettled accident claims (note 8)	17,670	16,381
	255,112	202,264
<b>Long-term</b>		
Net capital contributions (note 9)	3,832,167	3,622,247
Employee benefits (note 10)	205,089	176,085
Unsettled accident claims (note 8)	37,338	34,119
Environmental and other liabilities (note 7)	6,934	6,989
	4,336,640	4,041,704
Commitments and contingencies (note 14)		
<b>Accumulated equity</b>	15,464	15,135
	4,352,104	4,056,839

See accompanying notes to the consolidated financial statements

Approved: \_\_\_\_\_

Commissioner

Commissioner



# TORONTO TRANSIT COMMISSION

Consolidated Statement of Operations and Accumulated Equity  
Years ended December 31

	2006	2005
	(\$000s)	(\$000s)
<b>REVENUE</b>		
Passenger services	740,510	714,509
Advertising	14,851	14,515
Outside City services	13,738	12,678
Property rental	11,546	11,727
Miscellaneous	10,062	7,804
<b>Total revenue</b>	<b>790,707</b>	<b>761,233</b>
<b>EXPENSES</b>		
Wages, salaries and benefits (note 10)	824,090	773,191
Depreciation	296,667	234,381
Amortization of capital contributions (note 9)	(282,371)	(220,149)
Materials, services and supplies	126,591	115,383
Vehicle fuel	54,185	35,972
Electric traction power	27,878	28,455
Accident claims	21,546	16,030
Wheel-Trans contract services	17,269	15,730
Utilities	15,992	14,718
Property taxes	8,586	7,597
<b>Total expenses</b>	<b>1,110,433</b>	<b>1,021,308</b>
<b>Net operating costs</b>	<b>(319,726)</b>	<b>(260,075)</b>
Operating subsidies (note 11)	320,055	260,013
<b>Net operating surplus/(deficit)</b>	<b>329</b>	<b>(62)</b>
Accumulated equity, beginning of the year	15,135	15,197
<b>Accumulated equity, end of the year</b>	<b>15,464</b>	<b>15,135</b>

See accompanying notes to the consolidated financial statements

# TORONTO TRANSIT COMMISSION

Consolidated Statement of Cash Flows  
Years ended December 31

	2006	2005
	(\$000s)	(\$000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from passenger services	747,740	720,869
Other cash received	35,617	48,711
Cash paid to employees	(782,868)	(737,271)
Cash paid to suppliers	(213,578)	(253,442)
Cash paid for accident claims	(17,038)	(14,330)
<b>Net cash used in operating activities</b>	<b>(230,127)</b>	<b>(235,463)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital asset acquisitions	(512,626)	(378,207)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Operating subsidies received	296,792	291,603
Capital subsidies received	467,177	317,215
<b>Cash provided by financing activities</b>	<b>763,969</b>	<b>608,818</b>
Increase/(decrease) in cash and cash equivalents during the year	21,216	(4,852)
Cash and cash equivalents, beginning of the year	20,445	25,297
<b>Cash and cash equivalents, end of the year</b>	<b>41,661</b>	<b>20,445</b>

See accompanying notes to the consolidated financial statements

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 1

Year ended December 31, 2006

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## 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 ("the 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.

### (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.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 2006

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**(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	20-40
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.

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.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2006

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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 10 years (2005 – 9 years) for the supplemental pension plans and 11 years (2005 – 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 (2005 – 10 years) for workplace safety insurance benefits and 7 years (2005 – 11 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 and accrued liabilities. 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. In order 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.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 2006

The current receivable from the City is as follows:

	2006	2005
		(\$000s)
Subsidies receivable	241,761	210,740
Other current receivables	9,624	16,782
Other current payables	(27,159)	(17,023)
Total current receivable	224,226	210,499

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 hydro, services and supplies in the amount of \$61.8 million (2005 - \$94.0 million).

## 5. NET CAPITAL ASSETS

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

	2006	2005
		(\$000s)
Subway	2,410,141	2,405,197
Rolling stock	1,514,027	1,498,078
Buses	927,338	788,928
Buildings	630,233	605,836
Other equipment	516,920	476,506
Trackwork	475,660	455,603
Power distribution system	166,265	161,252
Construction in progress	354,835	152,162
Land	20,205	13,081
	7,015,624	6,556,643
Less accumulated depreciation	3,066,745	2,828,411
Net capital assets	3,948,879	3,728,232

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, 2006, the insured value of all of the Commission's assets, not including land, was \$9.8 billion (2005 - \$9.6 billion).

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2006

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## 6. OTHER ASSETS

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

	2006	2005
		(\$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	2,006
Long-term receivable from the City of Toronto (note 11)	23,783	6,428
Total other assets	26,335	8,980

At December 31, 2006, the fair value of the bonds is \$2.8 million (2005 - \$2.9 million). The long-term, non-interest bearing, receivable from the City for \$23.8 million (2005 - \$6.4 million) includes the delayed payment of subsidy for the non-cash portion of the post-retirement dental and medical benefit expenses. In 2006, the delayed payments of subsidy for the non-cash portion of the post-retirement medical benefit expenses and the post-retirement medical and dental benefit expenses for Wheel-Trans were added to the long-term receivable. 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 \$0.9 million will be paid during 2007 and therefore this amount is included in accounts payable and accrued liabilities (2005 - \$0.7 million). In addition, the consolidated balance sheet includes a long-term provision for environmental costs of \$6.5 million (2005 - \$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, 2006, \$44.8 million (2005 - \$40.3 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, 2006

## 9. NET CAPITAL CONTRIBUTIONS

The net capital contributions are as follows:

	2006	2005
		(\$000s)
Balance, beginning of year	3,622,247	3,497,383
Capital subsidies (note 12)	492,291	345,013
Amortization	(282,371)	(220,149)
Balance, end of year	3,832,167	3,622,247
Accumulated amortization recorded to date	2,730,664	2,499,147

## 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, 2006.

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, 2007.





# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 8

Year ended December 31, 2006

## Cash payments made in the year

	2006	2005
	(\$000s)	
Multi-employer defined benefit/defined contribution hybrid pension plan	51,269	45,033
Defined benefit supplemental pension plans	286	272
Post-retirement plans	4,754	3,958
Post-employment plans	16,133	14,933
<b>Total cash payments</b>	<b>72,442</b>	<b>64,196</b>

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 \$49 million in 2006 (2005 - \$43 million), which represented 6.75% (2005 - 6.25%) of members' covered earnings up to the Canada Pension Plan yearly maximum pensionable earnings of \$42,100 in 2006 (2005 - \$41,100) and 8.35% (2005 - 7.85%) of covered earnings in excess of this amount. In addition, the Commission contributed \$2.3 million in 2006 (2005 - \$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

	2006	2005
Accrued benefit obligations as at December 31:		
Discount rate	5.3%	5.0%
Rate of increase in earnings	3.7%	3.6%
Benefit costs for the years ended December 31:		
Discount rate	5.0%	6.0%
Rate of increase in earnings	3.6%	4.0%
Rate of return on assets	4.1%	4.1%

The Commission's rate of growth for health care costs, primarily drug costs, was estimated at 9% (2005 - 10%) and was assumed to decrease gradually to 5% in 2011 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 2006:

	Increase	Decrease
	(\$000s)	
Total costs	3,400	(2,700)
Accrued benefit obligations	28,800	(23,400)

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 9

Year ended December 31, 2006

## 11. OPERATING SUBSIDIES

The operating subsidies are:

(\$000s)	2006			2005
	Conventional	Wheel-Trans	Total	Total
Net operating costs	259,674	60,381	320,055	260,013
Source of operating subsidies:				
- Province of Ontario				
gas tax (note 12(b))	91,600	-	91,600	90,955
- City of Toronto	168,074	60,381	228,455	169,058
Total operating subsidy (for Commission's consolidated financial statements)	259,674	60,381	320,055	260,013

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. Subsequent to 2003, the City allocated to the Commission's budget an amount of Provincial subsidy from the gas tax (see note 12(b)). In 2006, the amount allocated was \$91.6 million (2005 - \$91.0 million). 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)	2006			2005
	Conventional	Wheel-Trans	Total	Total
Operating subsidy from the City (see above)	168,074	60,381	228,455	169,058
City special costs	2,714	-	2,714	2,042
Long-term receivable (note 6)	(16,572)	(783)	(17,355)	(6,428)
Contributions to/(draws from) City Reserve Funds (note 13):				
TTC Stabilization Reserve Fund	116,624	-	116,624	24,885 <sup>1</sup>
TTC Land Acquisition Reserve Fund <sup>1</sup>	1,704	-	1,704	1,704 <sup>1</sup>
Total City operating subsidy (in accounts of the City of Toronto)	272,544	59,598	332,142	191,261

<sup>1</sup>See details in Note 13

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 medical and dental benefit expenses (note 6).

For details related to the City Reserve Funds, see note 13.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 10

Year ended December 31, 2006

## 12. CAPITAL SUBSIDIES

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

	2006	2005
Source of capital subsidies:		(\$000s)
- City of Toronto	180,655	112,547
- Province of Ontario	145,367	68,924
- Federal Government of Canada	166,269	163,542
Total capital subsidies	492,291	345,013

### (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 for the total 2006 capital subsidy of \$492.3 million (2005 - \$345.0 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:

	2006	2005
Source of capital subsidies:		(\$000s)
- Vehicle Funding Programs	67,239	32,538
- CSIF	34,236	34,004
- TTIP/GTIP	5,174	2,382
- Gas Tax	38,718	-
Total Provincial capital subsidies	145,367	68,924

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.

Since 2002, the Province has introduced a number of programs to address funding for revenue vehicles. 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. The OTVP was cancelled in the March 2006 Provincial budget. Payments were made in 2006 to address the Commission's existing bus commitments (\$33.3 million for 2006) and a new Ontario Bus Replacement Program ("OBRP") will be implemented commencing in 2007. In addition, funding of \$150 million over the years 2006-2008 was announced to address the Commission's unique rolling stock requirements and funds of \$33.9 million were accrued in 2006 for eligible vehicle expenditures.

Provincial funding under the Canada Strategic Infrastructure Fund ("CSIF") program will amount to \$350 million in total for the years 2004 to 2012 (see note 12 (c)). Funding in the amount of \$26.9 million for buses delivered during 2004 and 2005 was addressed under previous OTVP funding.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 11

Year ended December 31, 2006

Provincial funding accrued for the 2006 eligible expenditures amounted to \$34.2 million (2005 - \$34.0 million).

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 GTIP 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 2006, the Commission claimed from the City costs incurred of \$5.2 million (2005 - \$2.4 million) in connection with approved projects.

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 1½¢/litre, effective October 2005 and then to 2¢/litre effective October 2006. Of the \$130.3 million (2005 - \$91.0 million) in Provincial gas tax funding, the City has directed \$91.6 million for 2006 (2005 - \$91.0 million) toward the Commission's operating needs (note 11) with the remainder of \$38.7 million (2005 - \$0) to be applied to capital needs.

(c) **Federal Government of Canada**

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

	2006	2005
Source of capital subsidies:		(\$000s)
- CSIF	43,031	16,248
- Base Gas Tax funding	48,868	48,868
- Public Transit Capital Trust	74,151	98,426
- Transit-Secure	219	-
Total Federal capital subsidies	166,269	163,542

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 has resulted in reduced Commission capital expenditures since early 2004.

On March 30, 2004, the Federal and Provincial Governments jointly announced funding of \$1.050 billion, under CSIF which will fund strategic capital project requirements during the period March 2004 to 2012. 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. The business case was approved by Federal Treasury Board in December 2006 and a Contribution Agreement is being finalized with all parties to allow funds to flow to the City on eligible projects. Federal funding for the eligible expenditures incurred has been accrued in 2006 of \$43.0 million (2005 - \$16.2 million).

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

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 12

Year ended December 31, 2006

for environmentally sustainable municipal infrastructure. It is based on population and will grow from 1 ½ ¢/litre to 5¢/litre in 2009. The City was paid \$48.9 million in 2006 (2005 – \$48.9 million) under this program.

An agreement in principle was also signed in June 2005 outlining the parameters for a transfer of \$310.3 million in federal funds over two years for public transit infrastructure in Ontario. In March 2006, an agreement was signed for transfer of the first \$155.2 million to Ontario municipalities based on transit ridership, of which \$98.4 million was paid to the City for 2005. This amount was accrued in the 2005 financial statements. In the subsequent Federal May 2006 budget, the Federal government announced the creation of a Public Transit Capital Trust which increased Ontario's share to \$351.5 million over the years 2006-2008. The City share of this funding based on the intended transit ridership allocation amounts to \$74.2 million which has been accrued in 2006. The Province is expected to release this payment to the City in early 2007.

In June 2006, the Federal government announced measures to bolster Canada's transportation security infrastructure with funding of \$80 million available for high-risk passenger rail and security operations under the Passenger Rail and Transportation Security Program ("Transit-Secure"). Funding of \$1.5 million was announced November 2006 (Round 1) for TTC capital security projects. A contribution agreement must be executed before the funding will flow to the City. Federal funding of \$0.2 million for the eligible expenditures incurred has been accrued in 2006.

## 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 such as the Stabilization and the Land Acquisition Reserve Funds. Contributions to and draws from these Reserve Funds are made by the Commission, or the City, upon approval by City Council.

In prior years, the Commission reported, in the following table, estimated amounts and City Council approval was obtained the following year. To facilitate the reconciliation to the City's balances, only those contributions and withdrawals that have been approved by City Council as of the date of the financial statements are reported in the table this year.

The balances and transactions related to the Reserve Funds are presented below.

(\$000s)	2006			2005
	Stabilization <sup>1</sup>	Land Acquisition <sup>2</sup>	Total	Total <sup>1,2</sup>
Balance, beginning of year, <sup>1,2</sup>	24,885	3,961	28,846	8,033
Commission contributions	-	-	-	26,589
Commission draws	(12,624)	-	(12,624)	(6,261)
City contributions <sup>2</sup>	100,000	3,571	103,571	400
Interest earned	4,363	311	4,674	85
Balance, end of year	116,624	7,843	124,467	28,846

<sup>1</sup> The \$24,885 opening balance in the Stabilization Reserve Fund was reported by the City as a Commission contribution in 2006.

<sup>2</sup> Included in the opening balance of the Land Acquisition Reserve Fund is a \$1,704 Commission contribution that was reported by the City in 2006. Also, the City contribution of \$3,571 to the Land Acquisition Reserve Fund was reported by the City as a contribution in the City's 2005 financial statements.

The Stabilization Reserve Fund was created to stabilize the funding of the Commission's operating expenditures over time. 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.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 13

Year ended December 31, 2006

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In 2006, City Council approved the contribution of \$24.9 million (note 11) to the Stabilization Reserve Fund to fund 2006 operating expenditures (the Commission draw of \$12.6 million) and an employee benefit provision (\$12.3 million). This contribution was recorded by the Commission as an addition to the Stabilization Reserve Fund in the 2005 City reserve funds continuity table. The Commission obtained approval in the 2006 preliminary year-end operating variance report to City Council to fund an additional \$4.0 million of the employee benefit provision (for a cumulative total of \$16.3 million). A \$4.0 million contribution to the Stabilization Reserve Fund will therefore be reflected in next year's financial statements. Finally, in its 2006 Budget, the Province announced a one-time \$200 million grant to the City for the Commission's existing subway operations for the years 2006 and 2007. From this grant, \$100 million was contributed by the City to the Stabilization Reserve Fund in 2006.

The Land Acquisition Reserve Fund was created to fund future land acquisitions by the City for the Commission's use. In 2006, the City contributed the remaining proceeds of \$3.6 million from the sale of a portion of the Commission's Tapscott property.

The Commission obtained approval in the 2006 preliminary year-end operating variance report to City Council to contribute the net gain of \$2.9 million, from assessing liquidated damages against its supplier of buses to the City's Capital Financing Reserve Fund, in order to help fund the future acquisition of buses in 2008. This \$2.9 million contribution will be disclosed in next year's continuity table of City reserve funds.

## 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. 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 February 2005, the Commission and City Council approved the awarding of a contract for the purchase of 330 low-floor buses from DaimlerChrysler Commercial Buses North America Ltd. ("DaimlerChrysler", formerly Orion), at a total cost of \$208.1 million. The order consisted of 150 diesel-electric hybrid buses (hybrids), all of which were to be delivered in 2006, and 180 diesel buses, of which 80 were to be delivered in 2006 and the remaining 100 in 2007. Subsequent to this award, on July 19 and August 30, 2006, the Commission approved contract amendments for an additional 220 hybrids to be delivered in 2007 and 140 hybrids to be delivered in 2008. In addition, 4 hybrids (to be delivered in early 2008) were added to the contract in lieu of DaimlerChrysler being assessed liquidated damages. The delivery requirement is, in total, 694 buses and the revised contract value is \$487 million. At December 31, 2006, 150 diesel-electric hybrid buses and 80 diesel buses had been delivered at a cost of \$153.9 million and the remaining outstanding commitment is \$333.1 million.

# TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 14

Year ended December 31, 2006

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(e) In August 2006, the Commission approved purchasing 234 subway cars or 39 trainsets from Bombardier Inc., Bombardier Transportation at a total cost of \$674.8 million. In September 2006, City Council approved proceeding with this procurement and the contract was awarded on December 21, 2006. As of December 2006, the Commission had incurred costs of \$110.5 million (included in construction in progress – note 5) which represented the initial notice to proceed payment reflected in the terms of payment for the contract. The first trainset is scheduled for delivery in September 2009. At December 31, 2006, the outstanding commitment is \$564.3 million.

(f) The Commission has contracts for the construction and implementation of various capital projects. At December 31, 2006, these contractual commitments are approximately \$84.0 million (2005 - \$63.6 million).

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

2007	\$1,500,000
2008	2,200,000
2009	2,200,000
2010	2,200,000
2011	2,300,000
Thereafter	\$4,300,000

## 15. PUBLIC SECTOR SALARY DISCLOSURE ACT 1996

The *Public Sector Salary Disclosure Act, 1996* (the "Act") requires the disclosure of the salaries and benefits of employees in the public sector who are paid a salary of \$100,000 or more in a year. The Commission complies with the Act by providing the required information to the City, at its request. The City, in turn, forwards the Commission's submission to the Ontario Ministry of Municipal Affairs and Housing for disclosure on the public website at [www.fin.gov.on.ca](http://www.fin.gov.on.ca).



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**AUDITORS' REPORT ON SUPPLEMENTARY  
FINANCIAL INFORMATION**

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

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

Toronto, Canada,  
March 29, 2007.

*Ernst & Young LLP*

Chartered Accountants

**TORONTO TRANSIT COMMISSION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2006**

(\$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
<b>STATEMENT OF OPERATIONS/INCOME</b>								
<b>Revenue</b>								
Passenger services	(737,592)	(2,918)	-	-	-	(740,510)	-	(740,510)
Advertising	(14,851)	-	-	-	-	(14,851)	-	(14,851)
Outside City services	(13,738)	-	-	-	-	(13,738)	-	(13,738)
Property rental	(10,632)	-	-	(914)	-	(11,546)	-	(11,546)
Miscellaneous	(5,851)	-	(6)	(4,751)	(56)	(10,664)	602	(10,062)
<b>Total revenue</b>	<b>(782,664)</b>	<b>(2,918)</b>	<b>(6)</b>	<b>(5,665)</b>	<b>(56)</b>	<b>(791,309)</b>	<b>602</b>	<b>(790,707)</b>
<b>Expenses</b>								
Wages, salaries and benefits	784,915	36,045	-	3,130	-	824,090	-	824,090
Depreciation	296,243	-	-	424	-	296,667	-	296,667
Amortization of capital contributions	(282,371)	-	-	-	-	(282,371)	-	(282,371)
Materials, services and supplies	119,570	6,384	-	632	56	126,642	(51)	126,591
Vehicle fuel	52,217	1,968	-	-	-	54,185	-	54,185
Electric traction power	27,878	-	-	-	-	27,878	-	27,878
Accident claims expense/(recovery)	20,867	714	-	(90)	-	21,491	55	21,546
Wheel-Trans contract services	-	17,269	-	-	-	17,269	-	17,269
Utilities	15,395	416	-	181	-	15,992	-	15,992
Property taxes	7,624	503	-	459	-	8,586	-	8,586
Interest expense net	-	-	-	602	-	602	(602)	-
Income tax	-	-	-	4	-	4	(4)	-
<b>Total expenses</b>	<b>1,042,338</b>	<b>63,299</b>	<b>-</b>	<b>5,342</b>	<b>56</b>	<b>1,111,035</b>	<b>(602)</b>	<b>1,110,433</b>
Net operating costs/(income)	259,674	60,381	(6)	(323)	-	319,726	-	319,726
Operating subsidy from the Province	(91,600)	-	-	-	-	(91,600)	-	(91,600)
Operating subsidy from the City	(168,074)	(60,381)	-	-	-	(228,455)	-	(228,455)
Net operating (surplus)/deficit	-	-	(6)	(323)	-	(329)	-	(329)
Accumulated (equity)/deficit, beginning of the year	(14,196)	-	(43)	4,597	-	(9,642)	(5,493)	(15,135)
Accumulated (equity)/deficit, end of the year	(14,196)	-	(49)	4,274	-	(9,971)	(5,493)	(15,464)
Not on the Commission's consolidated financial statements – Reconciliation to the City operating subsidy								
Operating subsidy from the City (as above)	168,074	60,381	-	-	-	228,455	-	228,455
Operating subsidies – long-term payable for employee benefits	(16,572)	(783)	-	-	-	(17,355)	-	(17,355)
City special costs	2,714	-	-	-	-	2,714	-	2,714
Contribution to the City's TTC Stabilization Reserve Fund	116,624	-	-	-	-	116,624	-	116,624
Contribution to the City's TTC Land Acquisition Reserve Fund	1,704	-	-	-	-	1,704	-	1,704
<b>Total City operating subsidy</b>	<b>272,544</b>	<b>59,598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>332,142</b>	<b>-</b>	<b>332,142</b>
<b>BALANCE SHEET</b>								
<b>Current Assets</b>								
Cash and cash equivalents	36,051	-	148	4,062	1,400	41,661	-	41,661
Accounts receivable								
City of Toronto	224,230	-	-	-	-	224,230	(4)	224,226
Other	29,213	-	1	105	-	29,319	(804)	28,515
Spare parts and supplies inventory	74,636	-	-	-	-	74,636	-	74,636
Advances to subsidiary	-	-	-	1,300	-	1,300	(1,300)	-
Indemnity receivable from the Commission	-	-	-	-	44,755	44,755	(44,755)	-
Prepaid expenses	7,852	-	-	-	-	7,852	-	7,852
	371,982	-	149	5,467	46,155	423,753	(46,863)	376,890
<b>Long-term Assets</b>								
Net capital assets	3,940,835	-	-	8,044	-	3,948,879	-	3,948,879
Investment in subsidiary	8,580	-	-	100	-	8,680	(8,680)	-
Other assets	26,335	-	-	-	-	26,335	-	26,335
	4,347,732	-	149	13,611	46,155	4,407,647	(55,543)	4,352,104
<b>Current Liabilities</b>								
Accounts payable and accrued liabilities	(193,161)	-	-	(2,548)	-	(195,709)	(3)	(195,712)
Deferred passenger revenue	(41,730)	-	-	-	-	(41,730)	-	(41,730)
Unsettled accident claims	(17,620)	-	-	(50)	(44,755)	(62,425)	44,755	(17,670)
Income taxes payable	-	-	-	(17)	-	(17)	17	-
Due to parent	-	-	-	(13,767)	(1,300)	(15,067)	15,067	-
	(252,511)	-	-	(16,382)	(46,055)	(314,948)	59,836	(255,112)
<b>Long-term Liabilities</b>								
Net capital contributions	(3,832,167)	-	-	-	-	(3,832,167)	-	(3,832,167)
Employee benefits	(205,089)	-	-	-	-	(205,089)	-	(205,089)
Unsettled accident claims	(37,247)	-	-	(91)	-	(37,338)	-	(37,338)
Environmental and other liabilities	(6,522)	-	-	(412)	-	(6,934)	-	(6,934)
	(4,333,536)	-	-	(16,885)	(46,055)	(4,396,476)	59,836	(4,336,640)
Capital Stock	-	-	(100)	(1,000)	(100)	(1,200)	1,200	-
Accumulated (equity)/deficit	(14,196)	-	(49)	4,274	-	(9,971)	(5,493)	(15,464)
	(4,347,732)	-	(149)	(13,611)	(46,155)	(4,407,647)	55,543	(4,352,104)

# TORONTO TRANSIT COMMISSION

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>OPERATING STATISTICS (regular service inside the City)</b>										
Passenger Trips (Millions)	444.5	431.2	418.1	405.4	415.5	420.0	410.6	392.6	388.7	379.9
Basic Adult Ticket Fare (at December 31) (\$)	2.10	2.00	1.90	1.90	1.80	1.80	1.70	1.70	1.60	1.60
Average Number of Employees (including TCTI)	10,905	10,669	10,553	10,450	10,356	10,191	10,095	10,049	9,462	9,133
Average Hourly Wages & Benefits per Operator (\$)	38.39	37.02	35.79	34.79	33.45	32.29	31.25	30.20	29.06	28.99
Kilometres Operated (Millions)										
Bus	105.9	102.9	100.7	99.8	100.4	97.7	95.0	94.4	94.5	93.7
Subway Car	77.7	77.7	78.4	77.5	76.2	75.5	74.4	67.4	67.6	65.5
Streetcar	11.6	11.7	12.2	11.8	11.3	11.7	11.3	11.4	12.1	10.6
Scarborough RT	4.1	4.3	4.4	4.1	4.3	4.4	4.2	3.9	4.1	3.7
Total Kilometres Operated	199.3	196.6	195.7	193.2	192.2	189.3	184.9	177.1	178.3	173.5
<b>OPERATING REVENUE STATISTICS</b>										
Operating Revenue – including property rental, etc. (\$ Millions)	782.6	753.4	731.2	703.0	687.8	670.6	630.2	585.2	563.9	559.4
Operating Revenue per Passenger Trip (\$)	1.76	1.75	1.75	1.73	1.66	1.60	1.53	1.49	1.45	1.47
Operating Revenue per Kilometre (\$)	3.93	3.83	3.74	3.64	3.58	3.54	3.41	3.30	3.16	3.22
<b>OPERATING EXPENSE STATISTICS</b>										
Operating Expenses (\$ Millions)	1,042.3	960.2	932.7	899.0	848.9	797.2	745.1	706.7	702.8	703.5
Operating Expense per Passenger Trip (\$)	2.34	2.23	2.23	2.22	2.04	1.90	1.81	1.80	1.81	1.85
Operating Expense per Kilometre (\$)	5.23	4.88	4.77	4.65	4.42	4.21	4.03	3.99	3.94	4.05
<b>OPERATING SUBSIDY STATISTICS</b>										
Operating Subsidy (\$ Millions) (See Note 13)	259.7 <sup>12</sup>	206.8 <sup>11</sup>	201.5 <sup>10</sup>	179.2 <sup>9</sup>	161.1 <sup>8</sup>	126.6 <sup>7</sup>	112.5 <sup>6</sup>	121.5 <sup>5</sup>	138.9 <sup>2</sup>	158.9
Operating Subsidy per Passenger Trip (\$)	0.58	0.48	0.48	0.44	0.39	0.30	0.27	0.31	0.36	0.42
Operating Subsidy per Kilometre (\$)	1.30	1.05	1.03	0.93	0.84	0.67	0.61	0.69	0.78	0.92
<b>OPERATING DEFICIT/(SURPLUS) STATISTICS (see Notes for details)</b>										
Operating Deficit/(Surplus) (\$ Millions)	-	-	-	16.8	-	-	2.4	-	-	(14.8) <sup>1</sup>
Operating Deficit/(Surplus) per Passenger Trip (\$)	-	-	-	0.04	-	-	0.01	-	-	(0.04)
Operating Deficit/(Surplus) per Kilometre (\$)	-	-	-	0.09	-	-	0.01	-	-	(0.09)
<b>REVENUE/COST RATIO</b>										
	75.1% <sup>4</sup>	78.5% <sup>4</sup>	78.4% <sup>4</sup>	78.2% <sup>4</sup>	81.0% <sup>4</sup>	84.1% <sup>4</sup>	84.6% <sup>4</sup>	82.8% <sup>4</sup>	80.2% <sup>3</sup>	79.5%
<b>CAPITAL ASSETS (Conventional &amp; Wheel-Trans)</b>										
Investment in Capital Assets at December 31 (\$ Millions)										
Gross Investment (before contributions & depreciation)	6,999.3	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
City, Provincial, & Federal Contributions	(6,562.8)	(6,123.1)	(5,802.9)	(5,543.0) <sup>14</sup>	(5,337.2) <sup>14</sup>	(5,121.5) <sup>14</sup>	(4,925.4)	(4,547.2)	(3,951.8)	(3,420.8)
TTC Investment (before depreciation)	436.5	418.7	413.6	405.7	396.3	393.0	304.9	302.0	306.6	300.4
<b>PASSENGER VEHICLE FLEET</b>										
(Conventional & Wheel-Trans, owned or leased and in service at December 31)										
Buses	1,543	1,491	1,502	1,489	1,468	1,480	1,468	1,483	1,498	1,468
Subway Cars	678	678	684	684	692	692	672	660	638	620
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	144	145	145	144	135	142	149	150	140	140
Total Vehicle Fleet	2,641	2,590	2,607	2,593	2,571	2,590	2,565	2,569	2,552	2,504

### NOTES:

- 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 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.
- 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 2006, 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 million 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 \$16.8 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.
- In 2006, the total subsidy paid by the City was \$272.5 million, consisting of \$168.1 million for the operating subsidy, \$2.7 million for the City special costs, \$1.7 million for the TTC Land Acquisition Reserve Fund (reported by the Commission in 2005) and \$116.6 million for the TTC Stabilization Reserve Fund (including the \$24.4 million reported by the Commission in 2005) less a \$16.6 million long-term payable for employee benefits. The City allocated \$91.6 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 – December 31, 2006

## **OFFICERS AND SENIOR OFFICIALS**

**Gary M. Webster**  
Interim Chief General Manager

**Robert A. Boutilier**  
Deputy General Manager  
Surface Operations

**Rick Cornacchia**  
General Manager Operations  
(Acting)

**Lynn I. Hilborn**  
Deputy General Manager  
Corporate

**Brian M. Leck**  
General Counsel

**Geoff Marinoff**  
Deputy General Manager  
Subway Operations (Acting)

**Vincent Rodo**  
General Secretary/  
General Manager  
Executive

**John A. Sepulis**  
General Manager  
Engineering & Construction

## **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  
Spadina Subway Extension

**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

**Sameh Ghaly**  
Chief Project Manager  
Construction (Acting)

**Bob Hughes**  
Chief Project Manager  
TTC/GTA Farecard Project

**David Hughes**  
Manager  
Revenue Operations

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

**James Fraser**  
General Superintendent  
Rail Cars and Shops (Acting)

**Don Leger**  
General Superintendent  
Plant Maintenance

**Paul Millett**  
General Superintendent  
Subway Transportation

**John P. O'Grady**  
Chief Safety Officer

**Susan Reed-Tanaka**  
Manager - Engineering

**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

**Domenic Garisto**  
Manager  
Property Development (Acting)

## **SUBSIDIARY COMPANIES**

Toronto Coach Terminal Inc.

**Gary M. Webster**  
Interim 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](http://www.ttc.ca)