

ANNUAL REPORT

2010



TORONTO TRANSIT COMMISSION

2010 ANNUAL REPORT

Toronto Transit Commission



As at December 31, 2010



Chair
Karen Stintz



Vice-Chair
Peter Milczyn

Commissioners



Maria
Augimeri



Vincent
Crisanti



Frank
Di Giorgio



Norm
Kelly



Denzil
Minnan-Wong



Cesar
Palacio



John
Parker

Letter from the Chair

Date: April, 2011

To: Mayor Rob Ford and Councillors of the City of Toronto

It is my privilege to submit the 2010 Annual Report for the Toronto Transit Commission, my first since becoming Chair of the TTC.

Work Safe-Home Safe

There is nothing more important to the TTC than safety – the safety of its customers, as well as the safety of its employees. In 2010, the Work Safe-Home Safe program, a safety initiative designed to reduce workplace injuries at the TTC, continued with great success. Since the program began in 2008, we have seen a reduction in our lost-time injury rate of more than 28 per cent.

The program relies on all employees to participate and lead this safety program. Committees made up of unionized employees work with management employees to identify risks, and remove workplace hazards. The program's goal is to ensure every TTC employee leaves work in the same condition in which he or she arrived – healthy and injury-free.

Customer Service

In March 2010, as part of the TTC's commitment to customer service excellence, the Commission approved the formation of an independent Customer Service Advisory Panel. The panel was Chaired by Mr. Steve O'Brien. Mr. O'Brien has 30 years experience in the hospitality industry, and is the General Manager of One King West Hotel and Residence in downtown Toronto.

The panel's mandate was to look at all customer service aspects of the TTC, with a view to making recommendations for improvement. They met with TTC customers and employees, online and in-person. The panel brought to bear their considerable expertise as professionals and as users of the TTC.

In August, the panel released their final report, containing 78 recommendations. The Commission is committed to improving the customer experience on the TTC and is now in the process of implementing these recommendations.

I would like to thank the members of the Customer Service Advisory Panel who volunteered considerable time to help us improve customer service at the TTC. Chair Steve O'Brien; Matthew Blackett, Publisher and Co-Founder, Spacing Magazine; TTC Operator Robert Culling; Advisory Committee on Accessible Transit Chair Susan Davidson; Yves Devin, CEO, Societe de Transport de Montreal; Tyson Matheson, Vice-President of People Relations & Culture, Westjet;

Dr. Roy Morley, Professor of Marketing, Ryerson University; Sue Motahedin, Manager, Loyalty & Relations, Telus; Krisna Saravanamuttu, President, York Federation of Students; Kripa Sekhar, Executive Director, South Asian Women's Centre; and Julie Tyios, CEO, Red Juice Media.

Service

Transit service continued to be improved across the system and ridership continued to grow, reaching an all-time high of 477 million rides.

More than 100 service increases were made on 45 subway, streetcar, and bus routes to reduce crowding. One bus route was extended to serve an area of new demand, and one new express “Rocket” bus service was introduced to give customers new and faster travel options. Resources were added to 12 busy streetcar and bus routes to combat increasing traffic congestion and to improve service reliability.

Station Managers

In September, the TTC began the first phase of the implementation of Station Managers at eight downtown subway stations. Station Managers respond to subway delays and emergencies, provide customer information, report the need for emergency maintenance and ensure cleanliness of the stations, and help support the Collectors and overall customer service.

e-Communications

The TTC continued to improve communications with its customers. In February, the Internet Trip Planner was launched. The Trip Planner allows for customers to enter destination information in “from” and “to” fields. Using the TTC’s schedules, the trip planner calculates the length of time the trip will take and suggests the quickest route to reach the destination. In October, Google Transit introduced TTC information to its online trip planner software/program.

In April, the Next Vehicle Arrival System was expanded with the installation of LED and LCD displays at a number of transit shelters and subway stations for next streetcar arrival times. With this system, customers can send an SMS text message to the TTC for a specific streetcar stop, and receive a real-time reply with the arrival time of up to the next two streetcars at that stop. Next bus information will be made available in 2011.

Post-Secondary Student Metropass

In August, the TTC launched a new Post-Secondary Student Metropass. The pass is available to post-secondary students enrolled in a full-time degree or diploma granting program, as well as for those enrolled full-time at a provincially-recognized career college. The cost of the Post-Secondary Student Metropass is \$99 per month, and must be used with a valid Post-Secondary TTC Student Photo ID card.

Toronto-York Spadina Subway Extension

Work continued in 2010 on the Toronto-York Spadina Subway Extension project, an extension of the Yonge-University-Spadina subway line. Design of six new stations was approved by the Commission, as preliminary construction work advanced along the 8.6 kilometre route in preparation of tunneling and the construction of these new stations. Production of four tunnel boring machines continued for a 2011 delivery to TTC launch sites.

The first tunneling contract for this estimated \$2.6 billion project was awarded in December. The Toronto-York Spadina Subway Extension project is jointly funded by the Government of Canada, the Province of Ontario, the City of Toronto, and The Regional Municipality of York.

It is currently on schedule to be open in 2015.

Toronto Rocket

The TTC accepted its first new Toronto Rocket subway train on October 1, 2010. Delivery of 70 fully accessible train sets (420 cars), from Bombardier Transportation in Thunder Bay, is scheduled to take up to three years to complete.

These trains will replace the TTC's oldest fleet as it reaches its 30-year life expectancy, and to meet future ridership demands once the Spadina Subway Extension opens for revenue service.

The fleet of Toronto Rockets, combined with the re-signalling of the Yonge-University-Spadina subway line, will ultimately allow the TTC to improve subway train headways (time between trains) to 90 seconds, as well as carry 8-10 % more people. The TTC's new subway trains will be a "six-car-fixed" configuration with open gangways that will enable customers to move freely from one end of the train to the other.

The new fleet of Toronto Rocket subway trains is jointly funded by the Government of Canada, the Province of Ontario and the City of Toronto.

The first Toronto Rocket will enter service in June, 2011.

In the Community

The 2010 TTC United Way Campaign set another record. TTC employees and pensioners raised \$1.4 million. Weekly pizza sales in the subway, bake sales, payroll deductions and the popular TTC Idol Contest were just a few of the successful fundraising efforts. As Chair of the TTC, I would like to extend my congratulations to employees, pensioners and especially, the dedicated volunteers who donated not just money, but their time, to help make the 2010 United Way campaign a great success.

On April 23, many TTC employees and senior staff participated in the Mayor's annual 20-minute makeover. And in May, as part of Doors Open Toronto, the public were invited to tour two TTC locations, Mount Dennis Bus Garage and Greenwood Shop. TTC employees also participated in two of Toronto's most popular summer events, the Pride Parade and Caribana.

A transit system as large and complex as Toronto's is only as good as the women and men who make it run each day. As Chair of the TTC, I am very proud of all of the employees who make the TTC a great transit system. I look forward to working with TTC staff in 2011, as the TTC embarks on another exciting year for transit in Toronto.

And finally, I would like to thank all Councillors who served on the Commission in 2010: Former Chair Adam Giambrone, Joe Mihevc (Vice-Chair), Sandra Bussin, Maria Augimeri, Suzan Hall, Peter Milczyn, Anthony Perruzza, Bill Saundercook and Ron Moeser as well as the Commissioners appointed by Council following last year's election: Vice Chair Peter Milczyn, Denzil Minnan-Wong, John Parker, Maria Augimeri, Vincent Crisanti, Frank Di Giorgio, Norm Kelly and Cesar Palacio.

A handwritten signature in black ink that reads "Karen Stintz". The signature is fluid and cursive, with "Karen" on the top line and "Stintz" on the bottom line.

Karen Stintz
Chair

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2010

May 13, 2011

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Independent Auditor's Report

To the Chair and Members of the Toronto Transit Commission

We have audited the accompanying consolidated financial statements of the **Toronto Transit Commission** which comprise the consolidated balance sheet as at December 31, 2010 and the consolidated statements of operations and accumulated equity and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Toronto Transit Commission as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The consolidated financial statements as at December 31, 2009 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 25, 2010.

The accompanying consolidated financial statements schedule as at and for the year ended December 31, 2010 is presented as supplementary information only and is not a required part of the basic consolidated financial statements. The information in this schedule has been subject to audit procedures only to the extent necessary to express an opinion on the consolidated financial statements of the Toronto Transit Commission.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

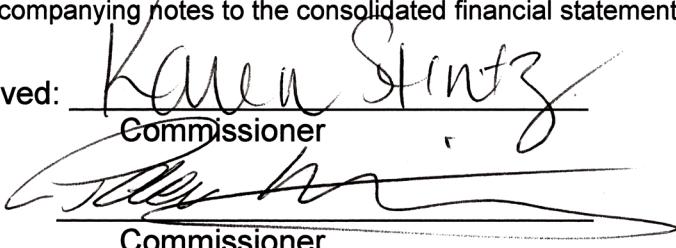
TORONTO TRANSIT COMMISSION

Consolidated Balance Sheet As at December 31

| | 2010 (\$000s) | 2009 (\$000s) |
|---|------------------|------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 62,809 | 52,767 |
| Accounts receivable | | |
| City of Toronto (note 5) | 355,370 | 338,446 |
| Other | 59,245 | 34,645 |
| Prepaid expenses | 3,478 | 3,429 |
| | 480,902 | 429,287 |
| Long-term | | |
| Net capital assets (note 6) | 4,896,804 | 4,505,552 |
| Spare parts | 96,068 | 91,104 |
| Receivable from City of Toronto (note 5) | 149,132 | 117,168 |
| Other assets (note 7) | 2,548 | 2,549 |
| | 5,625,454 | 5,145,660 |
| LIABILITIES AND ACCUMULATED EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | 329,528 | 267,111 |
| Deferred passenger revenue | 63,852 | 66,010 |
| Unsettled accident claims (note 8) | 38,745 | 33,395 |
| | 432,125 | 366,516 |
| Long-term | | |
| Net capital contributions (note 10) | 4,752,261 | 4,374,099 |
| Employee benefits (note 11) | 320,721 | 296,690 |
| Unsettled accident claims (note 8) | 104,139 | 92,299 |
| Environmental liabilities (note 9) | 6,218 | 6,485 |
| | 5,615,464 | 5,136,089 |
| Commitments and contingencies (note 15) | | |
| Accumulated equity | 9,990 | 9,571 |
| | 5,625,454 | 5,145,660 |

See accompanying notes to the consolidated financial statements

Approved:



Karen Shantz
Commissioner

Alex H
Commissioner

TORONTO TRANSIT COMMISSION

Consolidated Statement of Operations and Accumulated Equity
Year ended December 31

| | 2010 (\$000s) | 2009 (\$000s) |
|---|------------------|------------------|
| REVENUE | | |
| Passenger services | 934,889 | 839,327 |
| Advertising | 18,904 | 15,717 |
| Property rental | 18,489 | 16,649 |
| Outside city services | 17,679 | 18,176 |
| Miscellaneous | 7,554 | 5,464 |
| Total revenue | 997,515 | 895,333 |
| EXPENSES | | |
| Wages, salaries and benefits (note 11) | 1,100,013 | 1,021,240 |
| Depreciation | 542,319 | 632,786 |
| Amortization of capital contributions (note 10) | (530,997) | (609,276) |
| Materials, services and supplies | 162,129 | 157,689 |
| Vehicle fuel | 76,611 | 80,527 |
| Accident claims | 47,204 | 55,908 |
| Electric traction power | 33,211 | 32,168 |
| Wheel-Trans contract services | 32,658 | 27,864 |
| Utilities | 16,468 | 16,244 |
| Total expenses | 1,479,616 | 1,415,150 |
| Net operating costs | (482,101) | (519,817) |
| Operating subsidies (note 12) | 482,575 | 519,382 |
| Net operating surplus (deficit) | 474 | (435) |
| Accumulated equity, beginning of year | 9,571 | 10,006 |
| Transfer to related party (note 5) | (55) | - |
| Accumulated equity, end of year | 9,990 | 9,571 |

See accompanying notes to the consolidated financial statements

TORONTO TRANSIT COMMISSION

Consolidated Statement of Cash Flows
Year ended December 31

| | 2010 (\$000s) | 2009 (\$000s) |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from passenger services | 932,731 | 852,447 |
| Operating subsidies received | 491,902 | 482,380 |
| Other cash received | 54,025 | 57,764 |
| Cash paid for wages, salaries and benefits | (1,042,816) | (1,003,262) |
| Cash paid to suppliers | (347,984) | (313,452) |
| Cash paid for accident claims | (30,014) | (25,018) |
| Cash provided by operating activities | 57,844 | 50,859 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital asset acquisitions | (896,369) | (715,479) |
| Cash used in investing activities | (896,369) | (715,479) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital subsidies received | 848,567 | 661,483 |
| Cash provided by financing activities | 848,567 | 661,483 |
| Increase (decrease) in cash and cash equivalents during the year | 10,042 | (3,137) |
| Cash and cash equivalents, beginning of the year | 52,767 | 55,904 |
| Cash and cash equivalents, end of the year | 62,809 | 52,767 |

See accompanying notes to the consolidated financial statements

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 1

Year ended December 31, 2010

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 City Council is not entitled to exercise a power related to local transportation, except as it relates to the 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 12 and 13). 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 an 11.24% rebate for the Harmonized Sales Tax, and receives exemption from certain property taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements are prepared in accordance with the standards applicable to government business type organizations found in the Canadian Institute of Chartered Accountants ("CICA") Handbook, unless otherwise directed to specific accounting standards of the Public Sector Accounting Board.

(b) Basis of 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") (renamed Toronto Transit Infrastructure Limited on March 8, 2011) 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Specifically, employee benefit liabilities are subject to the assumptions described in note 11, depreciation expense is based on the asset lives described in note 2h and accident claims liabilities are subject to assumptions on discount rates and amounts reserved for incurred but not reported claims. Actual results could differ from the amounts estimated.

(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. Subsidies provided for the purchase of capital assets are amortized on the same basis as the related assets.

(e) 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. Other revenue is recognized when the services have been provided.

(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.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 2

Year ended December 31, 2010

(g) Spare parts

Spare parts are valued at weighted-average cost, net of allowance for obsolete and excess parts.

(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 | 5-25 |
| 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 classified as held to maturity are recorded at amortized cost based on the effective interest rate method 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 future benefit plans

The Commission's contributions to a multi-employer, defined benefit/defined contribution hybrid pension plan are expensed when contributions are due. 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.

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.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 3

Year ended December 31, 2010

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 3 years (2009 – 9 years) for the supplemental pension plans and 13 years (2009 – 13 years) for the post-retirement benefit plans.

The net actuarial gain or loss for post-employment benefits arising from changes in actuarial assumptions are amortized on a straight-line basis over the average expected period during which benefits will be paid, which are 10 years (2009 – 10 years) for workplace safety insurance benefits and 9 years (2009 – 9 years) for long-term disability benefits. Experience gains and losses related to post-employment benefits are recognized immediately and are included in the plan's current service cost.

Past service costs arising from a plan amendment or plan initiation are amortized on a straight-line basis over 7 to 11 years (2009 – 7 to 11 years), which represents 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 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 groups covered by the benefit plans at the date of the change.

(l) Environmental provision

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

(m) Financial instruments

The Commission has designated its financial instruments as follows:

- i) Cash and cash equivalents as held for trading.
- ii) Current accounts receivable and the long-term receivable from the City of Toronto as loans and receivables.
- iii) The City of Toronto and Province of Ontario bonds (included in other assets – see note 7) as held to maturity.
- iv) Accounts payable and accrued liabilities as other liabilities.

Cash and cash equivalents are recorded at cost which approximates fair market value. All of the other financial instruments are recorded at amortized cost.

3. FINANCIAL INSTRUMENTS

Fair value

The main categories of financial instruments held by the Commission include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair values of the current accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the relatively short time period to maturity of these instruments. The fair value of the long-term receivable from the City of Toronto cannot be determined since there are no fixed terms of repayment. The fair value of other assets is described in note 7.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 4

Year ended December 31, 2010

Risk management

Credit risk

86% (2009 – 91%) of the Commission's current accounts receivable are due from the City of Toronto. Of the other current accounts receivable, which total \$59.2 million (2009 - \$34.6 million), \$34.4 million (2009 – \$16.9 million) is due from federal and provincial government entities, other municipalities and transit agencies. In addition, substantially all of the other current accounts receivable was billed within 30 days of the balance sheet date. Management therefore believes that the Commission's credit risk is low.

Currency risk

The Commission has limited foreign currency risk with respect to its financial instruments as substantially all of the Commission's financial assets and financial liabilities are denominated in Canadian dollars. The Commission is exposed to some foreign currency risk as some contracts for the future purchase of supplies and capital assets are denominated in U.S. dollars. The Commission does not have a policy of hedging future foreign currency payments.

Liquidity risk

The Commission has \$329.5 million (2009 - \$267.1 million) of financial liabilities that are due within one year or less. The Commission has a combination of cash on hand and receivables from the City of Toronto that will be sufficient to satisfy these liabilities.

4. CAPITAL DISCLOSURES

In managing capital, the Commission focuses on ensuring the availability of sufficient liquid assets to fund its operations and capital program. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual results compared to the budget. As at December 31, 2010, the Commission had met its objective of having sufficient liquid assets available to meet its current obligations.

5. 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. 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.

The current receivable from the City is as follows:

| | 2010 | 2009 |
|---------------------------|----------|----------|
| | | (\$000s) |
| Subsidies receivable | 365,878 | 368,033 |
| Other current receivables | 24,117 | 7,641 |
| Other current payables | (34,625) | (37,228) |
| Total current receivable | 355,370 | 338,446 |

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 5

Year ended December 31, 2010

In addition to the above current receivables, the Commission has a long-term receivable from the City which relates to the funding of the following items:

| | 2010 | 2009 |
|-------------------------------------|---------|---------|
| (\$000s) | | |
| Non-cash employee benefits | 94,748 | 79,830 |
| Non-cash accident claims expenses | 48,166 | 30,853 |
| Future environmental costs (note 9) | 6,218 | 6,485 |
| Total long-term receivable | 149,132 | 117,168 |

The non-cash employee benefits receivable represents the delayed payment of operating subsidy for the non-cash portion of the post-retirement dental and medical benefit expenses. The non-cash accident claims receivable represents the delayed payment of operating subsidy for the non-cash portion of the accident claim expenses. All of the long-term receivables are non-interest bearing and it is expected that these receivables will decrease in years when the cash outflow for these items exceeds the accounting expense.

Transactions with the City and its related entities, other than the subsidies (which are disclosed in notes 12 and 13), include the purchase of hydro for \$44.8 million (2009 - \$42.8 million), and other services, supplies and payment of property taxes in the amount of \$39.2 million (2009 - \$55.8 million). These expenses were incurred at fair value agreed to by the related entities.

In 2010, the Commission transferred land, with a net book value of \$0.1 million to Build Toronto. This transfer has been reflected in accumulated equity.

6. NET CAPITAL ASSETS

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

| | 2010 | 2009 |
|-------------------------------|-----------|-----------|
| (\$000s) | | |
| Subway | 2,635,742 | 2,585,294 |
| Rolling stock | 1,612,974 | 1,594,704 |
| Buses | 1,437,436 | 1,346,280 |
| Buildings | 1,004,055 | 934,840 |
| Other equipment | 643,317 | 654,451 |
| Trackwork | 628,453 | 600,973 |
| Power distribution system | 210,317 | 198,060 |
| Construction in progress | 1,537,760 | 883,798 |
| Land | 20,149 | 20,205 |
| | 9,730,203 | 8,818,605 |
| Less accumulated depreciation | 4,833,399 | 4,313,053 |
| Net capital assets | 4,896,804 | 4,505,552 |

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, 2010, the insured value of all of the Commission's assets, not including land, was approximately \$11.2 billion (2009 - \$10.5 billion).

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 6

Year ended December 31, 2010

7. OTHER ASSETS

Other assets consist of two bonds, as follows:

| | 2010 | 2009 |
|--|-------|----------|
| | | (\$000s) |
| City of Toronto bond (8.65%; June 8, 2015 maturity) | 546 | 546 |
| Province of Ontario bond (5.375%; December 2, 2012 maturity) | 2,002 | 2,003 |
| Total other assets | 2,548 | 2,549 |

At December 31, 2010, the fair value of the bonds is \$2.8 million (2009 - \$2.9 million).

8. UNSETTLED ACCIDENT CLAIMS

Unsettled accident claims consist of automotive and general claims as follows:

| | 2010 | 2009 |
|-------------------------------------|---------|----------|
| | | (\$000s) |
| Current Portion | | |
| Automotive | 34,913 | 29,440 |
| General | 3,832 | 3,955 |
| Current Portion | 38,745 | 33,395 |
| Long-Term Portion | | |
| Automotive | 92,529 | 81,513 |
| General | 11,610 | 10,786 |
| Long-Term Portion | 104,139 | 92,299 |
| Total Provision for Accident Claims | 142,884 | 125,694 |

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. At December 31, 2010, \$127.4 million (2009 - \$111.0 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. The Commission has purchased insurance from third-party insurers to cover tort claims in excess of \$5 million on any one accident.

9. 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. Environmental advisors and specialists are retained to support the TTC's investigative and remedial efforts.

The Commission expects that expenditures of approximately \$2.3 million will be paid during the upcoming year (2009 - \$1.9 million) and therefore this amount is included in accounts payable and accrued liabilities. In addition, the consolidated balance sheet includes a long-term provision for environmental costs of \$6.2 million (2009 - \$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 difficult to determine assumptions, such as the anticipated results of monitoring,

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actual costs may vary. The estimated amounts of future remediation costs are reviewed regularly, based on available information and governing legislation.

10. NET CAPITAL CONTRIBUTIONS

The net capital contributions are as follows:

| | 2010 | 2009 |
|---|-----------|-----------|
| | (\$000s) | |
| Balance, beginning of year | 4,374,099 | 4,241,396 |
| Capital subsidies (note 13) | 909,159 | 741,979 |
| Amortization | (530,997) | (609,276) |
| Balance, end of year | 4,752,261 | 4,374,099 |
| Accumulated amortization recorded to date | 4,454,668 | 3,942,045 |

11. EMPLOYEE FUTURE 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 (the "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 ("LTD") 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, 2009. The next actuarial valuation for funding purposes is expected to be performed as at January 1, 2012. The effective date of the most recent valuation for accounting purposes was December 31, 2010.

For the post-retirement benefit plans, the effective date of the most recent actuarial valuation was January 1, 2009. This valuation was used to project the accrued benefit obligations and costs for the current year end. The next actuarial valuation for the post-retirement benefit plans is expected to be performed as at January 1, 2012.

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For the post-employment benefit plans, the effective date of the most recent actuarial valuation was September 30, 2010 for the WSI plan and November 30, 2010 for the LTD plan. These valuations were used to project the accrued benefit obligations and costs for the current year end. The next actuarial valuation for the post-employment benefit plans is expected to be performed as at September 30, 2011 for the WSI plan and November 30, 2011 for the LTD plan.

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

| | Defined Benefit Supplemental Pension Plans | Post- Retirement Plans | Post- Employment Plans | 2010 Total |
|--|--|------------------------------|------------------------------|---------------|
| (\$000s) | | | | |
| Accrued benefit obligations | 4,008 | 223,029 | 168,762 | 395,799 |
| Fair value of plan assets | (6,145) | - | - | (6,145) |
| Funded status – plan deficit (surplus) | (2,137) | 223,029 | 168,762 | 389,654 |
| Balance of unamortized amounts: | | | | |
| Actuarial gains/(losses) | 3,843 | (38,328) | (25,668) | (60,153) |
| Past service costs | (21) | - | (548) | (569) |
| Transitional obligation | (1) | (8,210) | - | (8,211) |
| Accrued benefit liability | 1,684 | 176,491 | 142,546 | 320,721 |

| | Defined Benefit Supplemental Pension Plans | Post- Retirement Plans | Post- Employment Plans | 2009 Total |
|---------------------------------|--|------------------------------|------------------------------|---------------|
| (\$000s) | | | | |
| Accrued benefit obligations | 9,060 | 191,298 | 150,990 | 351,348 |
| Fair value of plan assets | (5,825) | - | - | (5,825) |
| Funded status – plan deficit | 3,235 | 191,298 | 150,990 | 345,523 |
| Balance of unamortized amounts: | | | | |
| Actuarial gains/(losses) | 439 | (19,583) | (17,148) | (36,292) |
| Past service costs | (64) | (800) | (641) | (1,505) |
| Transitional obligation | (76) | (10,960) | - | (11,036) |
| Accrued benefit liability | 3,534 | 159,955 | 133,201 | 296,690 |

The defined benefit supplemental pension plan assets consist of 49% (2009 – 47%) equity index pooled funds and 51% (2009 – 53%) deposit in a Canada Revenue Agency non-interest bearing refundable tax account.

The assets in the defined benefit supplemental pension earned a return of \$0.3 million in 2010 (\$0.4 million return in 2009) which compares to an expected return of \$0.2 million (\$0.2 million for 2009). The difference of \$0.1 million in 2010 (\$0.2 million in 2009) has been included in the actuarial gains/losses for the year. The interest cost for the defined benefit supplemental pension plan in the following table is shown net of the expected return.

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Reconciliation of the change in the employee future benefit liabilities including costs recognized in the year:

| | Defined Benefit Supplemental Pension Plans | Post- Retirement Plans | Post- Employment Plans | Hybrid Pension Plan | 2010 Total |
|--------------------------------|--|------------------------------|------------------------------|---------------------------|---------------|
| Accrued benefit liability: | | | | | |
| | | | | | (\$000s) |
| Balance, beginning of the year | 3,534 | 159,955 | 133,201 | - | 296,690 |
| Current service cost | (73) | 6,497 | 24,939 | 84,530 | 115,893 |
| Interest cost | 98 | 11,778 | 6,941 | - | 18,817 |
| Amortization: | | | | | |
| Actuarial (gains)/losses | (1,725) | 381 | 1,709 | - | 365 |
| Past service costs | 42 | 800 | 93 | - | 935 |
| Transitional obligation | 75 | 2,750 | - | - | 2,825 |
| Cash payments | (267) | (5,670) | (24,337) | (84,530) | (114,804) |
| Balance, end of the year | 1,684 | 176,491 | 142,546 | - | 320,721 |

| | Defined Benefit Supplemental Pension Plans | Post- Retirement Plans | Post- Employment Plans | Hybrid Pension Plan | 2009 Total |
|--------------------------------|--|------------------------------|------------------------------|---------------------------|---------------|
| Accrued benefit liability: | | | | | |
| | | | | | (\$000s) |
| Balance, beginning of the year | 3,388 | 136,151 | 124,216 | - | 263,755 |
| Current service cost | 99 | 4,811 | 24,031 | 76,398 | 105,339 |
| Interest cost | 338 | 11,232 | 7,563 | - | 19,133 |
| Amortization: | | | | | |
| Actuarial (gains)/losses | (137) | 6,805 | (2,400) | - | 4,268 |
| Past service costs | 42 | 3,700 | 93 | - | 3,835 |
| Transitional obligation | 75 | 2,750 | 1,185 | - | 4,010 |
| Cash payments | (271) | (5,494) | (21,487) | (76,398) | (103,650) |
| Balance, end of the year | 3,534 | 159,955 | 133,201 | - | 296,690 |

The total cost for the above benefits, including the hybrid pension plan, is \$138,835 (2009 - \$136,585). Approximately \$125,646 or 90.5% (2009 - \$123,700 or 90.6%) of the total cost is included in wages, salaries and benefits on the consolidated statement of operations and accumulated equity. The remaining \$13,189 or 9.5% (2009 - \$ 12,885 or 9.4%) has been charged to capital assets, in accordance with the Commission's capitalization policies.

Cash payments include contributions to the supplemental and hybrid pension plans. The cash payment to the hybrid pension plan includes contributions to meet the minimum funding requirements, in accordance with pension legislation. The members and the Commission each made required contributions of \$82.6 million in 2010 (2009 - \$74.3 million), which represented 8.75% (2009 – 8.25%) of members' covered earnings up to the Canada Pension Plan yearly maximum pensionable earnings of \$47,200 in 2010 (2009 - \$46,300) and 10.35% (2009 – 9.85%) of covered earnings in excess of this amount. In addition, the Commission contributed \$1.9 million in 2010 (2009 - \$2.1 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.

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Significant assumptions used in accounting for employee future benefits

| | 2010 | 2009 |
|--|-------|-------|
| Accrued benefit obligations as at December 31: | | |
| Discount rate for Post-Retirement Plans | 5.55% | 6.25% |
| Discount rate for Post-Employment Plans | 4.40% | 5.00% |
| Rate of increase in earnings | 3.50% | 3.50% |
| Benefit costs for the years ended December 31: | | |
| Discount rate for Post-Retirement Plans | 6.25% | 7.40% |
| Discount rate for Post-Employment Plans | 5.00% | 7.40% |
| Rate of increase in earnings | 3.50% | 3.50% |
| Rate of return on assets | 4.00% | 4.20% |

The Commission's annual rate of growth for post-retirement health care costs, primarily drug costs, was estimated at 10.1% for males and 7.8% for females. These rates consist of a 3% per annum drug trend rate and an aging factor of 6.9% for males and 4.7% for females (up to age 65). An annual rate of growth of 11.65% (2009 - 12%), decreasing to 5% in 19 years (2009- 20 years), was used to estimate drug costs for the post-employment plans.

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 2010:

| | Increase (\$000s) | (Decrease) (\$000s) |
|-----------------------------|----------------------|------------------------|
| Total costs | 4,700 | (3,700) |
| Accrued benefit obligations | 40,000 | (32,600) |

12. OPERATING SUBSIDIES

The sources of operating subsidies are as follows:

| | 2010 | 2009 | | |
|---|--------------|-------------|---------|----------|
| | Conventional | Wheel-Trans | Total | Total |
| - Province of Ontario | | | | (\$000s) |
| Gas tax (note 13(b)) | 91,600 | - | 91,600 | 91,600 |
| - City of Toronto | 306,760 | 84,215 | 390,975 | 427,782 |
| Total operating subsidies (for Commission's consolidated financial statements) | 398,360 | 84,215 | 482,575 | 519,382 |

Between 1971 and 1980, the City and the Province of Ontario (the "Province") 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 13(b)). In 2010, the amount allocated was \$91.6 million (2009 - \$91.6 million). Currently, the total City operating subsidy amount is established as part of the City's annual budget process.

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| City of Toronto subsidy (for information only) | 2010 | 2009 | | |
|---|--------------|-------------|----------|----------|
| | Conventional | Wheel-Trans | Total | Total |
| Operating subsidy from the City of Toronto (see above) | 306,760 | 84,215 | 390,975 | 427,782 |
| City special costs | 2,985 | - | 2,985 | 3,048 |
| Long-term receivable (accident claims) | (17,308) | (5) | (17,313) | (30,853) |
| Long-term receivable (employee benefits) | (14,276) | (642) | (14,918) | (21,487) |
| Total City operating subsidies (in accounts of the City of Toronto) | 278,161 | 83,568 | 361,729 | 378,490 |

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.

The long-term receivables reflect the delayed payment of operating subsidy for the non-cash portion of the post-retirement medical and dental benefit expenses and accident claims (note 5).

13. CAPITAL SUBSIDIES

Capital subsidies, which are recorded as net capital contributions (note 10), are as follows:

| Source of capital subsidies: | 2010 | 2009 |
|--------------------------------|----------|---------|
| | (\$000s) | |
| - City of Toronto | 422,992 | 332,854 |
| - Province of Ontario | 260,640 | 195,065 |
| - Federal Government of Canada | 213,754 | 207,747 |
| - Other | 11,773 | 6,313 |
| Total capital subsidies | 909,159 | 741,979 |

(a) City of Toronto

The City is responsible for ensuring full funding 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 a total 2010 capital subsidy of \$897.4 million (2009 - \$735.7 million). Amounts claimed from the City do not include a \$0.2 million expenditure (2009 - \$2.0 million recovery) for property purchased and owned by the City but for the jurisdictional use of the Commission. Other funding of \$11.8 million (2009 - \$6.3 million) includes specific purpose third-party agreements with organizations such as Waterfront Toronto.

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.

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Toronto York Spadina Extension Project

The City acts as the banker for the Toronto York Spadina Subway Extension ("TYSSE") project which is being constructed into York Region under a joint funding relationship with the Province through the Move Ontario Trust ("MOT"), the Federal Government under the Building Canada Funding program, and the municipalities of the City of Toronto and the Region of York. In 2010, \$185.9 million (2009 - \$94.7 million) was recognized as subsidy with respect to this project and the amount is presented in the above table as a City of Toronto subsidy. The City will recover these funds from the project's funding partners.

The Province approved funding of \$870 million (March 2006 and January 2008) for the TYSSE into York Region with a project cost of \$2.6 billion and this funding was deposited in the MOT. On March 6, 2007, the Federal Government announced that it would contribute funding for the TYSSE into York Region with the amount capped at \$697 million for the project.

The Commission incurs project expenditures and then submits a capital billing for the full project cost to the City. Each month the Executive Task Force, which is the joint Toronto/York governing body, submits a funding request to each of the MOT and the municipalities (City of Toronto and Region of York) to claim for each party's appropriate share of project funding. The MOT is also billed for a working capital draw covering two months of payments to ensure that sufficient funds are available to cover ongoing project cash flows. Funding claims are prepared each month to the Federal Government and payments flow to the City, upon submission of appropriate contracts and claims prepared by the Commission.

(b) Province of Ontario

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

| Source of capital subsidies: | 2010 | 2009 |
|---|---------|----------|
| | | (\$000s) |
| - Vehicle funding programs | 72,976 | 18,296 |
| - Gas tax | 69,047 | 72,469 |
| - Metrolinx | 50,813 | 59,389 |
| - Canada Strategic Infrastructure Fund | 35,619 | 32,537 |
| - LRT Car Project | 30,081 | 11,724 |
| - Transit Technology Infrastructure Program | 2,104 | 650 |
| Total provincial capital subsidies | 260,640 | 195,065 |

Vehicle Funding Programs

The Ontario Bus Replacement Program ("OBRP") was modified in early 2008, when the Province announced changes by committing to provide up to 33.3% of conventional bus contract payments amortized over a 12 year bus life. As a result, the City had taken out debt to fund the bus expenditures (11/12ths and declining) over the amortized funding life. In its March 25, 2010 budget, the Province cancelled the OBRP program effective immediately and paid its outstanding obligations to the City for 2008 (\$21.6 million) and 2009 (\$23.0 million) as well as to provide funds for the 2010 bus contract commitments (\$18.7 million). These payments were made in June 2010 upon execution of a letter of acknowledgement in full settlement of the Province's OBRP obligations to the City. Funding of \$64.3 million is recognized under this program in 2010 (2009 - \$4.2 million), including accumulated interest of \$1.0 million. These funds will be utilized to offset the outstanding debt obligation and will be applied over the next 10 years by the City against the remaining debt amortization runoff schedule.

In addition, the Province provided funding of \$150 million to address the Commission's unique rolling stock requirements which was paid unconditionally to the City on March 30, 2007. These funds were placed in the Ontario Rolling Stock Infrastructure Reserve Fund ("ORSIF") to be drawn for transit vehicle requirements. Funding of \$136.5 million has been recognized by the Commission for the

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Year ended December 31, 2010

eligible expenditures to date, including \$8.7 million for 2010 (2009 - \$14.1 million).

Provincial Gas Tax

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 anticipated \$160.6 million (2009 - \$164.1 million) in provincial gas tax funding, the City has directed \$91.6 million for 2010 (2009 - \$91.6 million) toward the Commission's operating needs (note 12) with the remainder of \$69.0 million (2009 - \$72.5 million) applied to capital needs.

Metrolinx (Quick Wins)

In its March 2008 budget, the Province confirmed the Quick Wins funding package of projects as previously approved by Metrolinx in November 2007. Provincial payments totalling \$452.5 million were received by the City in March 2008 and placed in a City reserve to be applied against the approved Quick Wins projects. Funding of \$125.1 million has been recognized by the Commission for the eligible expenditures to date, including \$79.5 million applied to capital projects in 2010 (2009 - \$37.8 million), with the remaining funds attributable to the subway capacity projects.

Metrolinx (Transit City)

On April 1, 2009, the Province of Ontario announced funding for the following Transit City lines: SRT (\$1.4 billion), Finch West LRT (\$1.2 billion), and Eglinton Crosstown LRT (\$4.6 billion). Subsequently, on May 15, 2009, the Province of Ontario and the Government of Canada announced \$950 million in funding for the Sheppard East LRT. It was intended that the City would not be required to contribute toward the cost of these lines. While discussions with Metrolinx had resulted in consensus at the staff level in mid-2010 with respect to the development of a series of agreements required to confirm the timing, scope, magnitude, and governance issues associated with each of these lines and to set out the TTC's responsibilities for program and project management, recent events have altered that plan. Following the Municipal election in October 2010, the mandate of the new Mayor has been to implement underground transit initiatives and the Transit City Plans are currently under review. The Transit City office has been renamed as Transit Expansion and the full impact of these decisions is not currently known, however it is anticipated that full recovery of costs from Metrolinx will continue to occur through the City of Toronto. Project funding of \$77.4 million has been drawn through the City for 2010 expenditures (2009 - \$21.6 million) for costs incurred by the Commission in 2010 and the eligible expenditures to date are \$106.1 million on the approved lines. Since Metrolinx will retain ownership of the asset, these amounts along with any associated capital assets, have not been recognized on the consolidated financial statements. This decision is based on the finalization of the interim funding arrangement and protocols in 2010 which detailed who would own the capital assets and how the new lines would be funded, noting that the final Master agreements have not yet been executed. The life-to-date TCP expenditures of \$106.1 million were removed from construction in progress in 2010, of which \$28.7 million was flowed through Metrolinx in prior years.

Canada Strategic Infrastructure Fund

Provincial funding under the Canada Strategic Infrastructure Fund ("CSIF") will amount to \$350 million in total for the years 2004 to 2012 (see note 13(c)). The Provincial share of \$303.3 million CSIF commitment (net of the GTA Farecard Project share of \$46.7 million which will be addressed upon approval of the GTA Farecard Project) was paid in full to the City. Funds were placed in the City's CSIF Reserve Fund to be applied to eligible CSIF expenditures over the term of the agreement. Funding of \$283.3 million has been recognized by the Commission for the eligible expenditures to date, including \$35.6 million for 2010 (2009 - \$32.5 million).

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LRT Car Project

On June 19, 2009 the Province of Ontario confirmed that it would provide one-third funding for the 204 LRT Car Project (up to \$417 million) and this funding is expected to flow on the basis of contract milestone payments. Details of the agreement have not yet been confirmed, however, funding of \$41.8 million has been recognized against the project to date including \$30.1 million for 2010 (2009 - \$11.7 million).

Transit Technology Infrastructure Program

The Province paid out previously announced commitments under the Transit Technology Infrastructure Program ("TTIP") in full in March 2007 when the Province provided an unconditional payment to the City of \$31.1 million. These funds were placed in a City reserve fund to be applied to eligible TTIP expenditures. Funding of \$27.6 million has been recognized by the Commission for eligible project expenditures to date, including \$2.1 million for 2010 (2009 - \$0.7 million).

(c) Federal Government of Canada

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

| | 2010 | 2009 |
|--|----------|---------|
| Source of capital subsidies: | (\$000s) | |
| - Gas tax funding | 154,367 | 162,892 |
| - Canada Strategic Infrastructure Fund | 31,579 | 33,407 |
| - Infrastructure Stimulus Fund | 27,805 | 4,832 |
| - Other (PTCT, Transit-Secure) | 3 | 6,616 |
| Total federal capital subsidies | 213,754 | 207,747 |

Federal Gas Tax

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 gas tax funding is allocated on a per capita basis for environmentally sustainable municipal infrastructure, growing from 2½¢/litre in 2008 to 5¢/litre in 2009. In 2008 the Federal Government announced that gas tax funding had been made a permanent measure and in 2009 an extended framework agreement for the 4 year period 2010-2013 was based on updated 2006 Census population. Ontario's allocation of this to municipalities is based on population and the City was allocated \$154.4 million in 2010 (2009 - \$162.9 million) under this program. This amount was allocated to the Commission.

Canada Strategic Infrastructure Fund

On March 30, 2004, the Federal and Provincial governments and the City of Toronto jointly announced funding of \$1.050 billion (\$350 million each) under CSIF, to fund strategic capital project requirements during the period March 2004 to 2012. While a CSIF memorandum of understanding was signed by the City in December 2004, the contribution agreement was not signed until March 19, 2008. While funding has been addressed for most of 2008/2009, additional requirements are being addressed for subsequent claims and to date, federal funding for the eligible expenditures incurred to date amounts to \$283.3 million, of which \$31.6 million has been accrued in 2010 (2009 - \$33.4 million).

Federal Infrastructure Stimulus

On September 11, 2009 the Federal Government announced Federal Infrastructure Stimulus Funding for the City of Toronto (\$190.0 million) of which \$60.4 million was approved for 19 specific TTC capital projects to March 31, 2011. Program extensions have been approved to October 31, 2011 for 16 projects with no increase in approved funding. Funding of \$32.6 million has been recognized by the Commission for the eligible expenditures to date of which \$27.8 million was claimed in 2010 (2009 \$4.8 million).

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Other

Public Transit Capital Trust

Approved funding was fully drawn in 2009 under both the Public Transit Capital Trust ("PTCT") and the Passenger Rail and Transportation Security ("Transit-Secure") programs. The remaining interest balance was applied in 2010 to fully deplete the PTCT reserve.

14. CITY OF TORONTO RESERVES AND RESERVE FUNDS

In its accounts, the City maintains interest bearing Reserve Funds, and non-interest bearing Reserves comprised of funds set aside by City Council for specific purposes. Five of these Reserve Funds and one Reserve remain available specifically for matters related to the Commission's future use. In addition, \$3 million is held in the City's Capital Financing Reserve on behalf of the Commission. Contributions to and draws from these Reserves and Reserve Funds are made by the Commission, or the City, upon approval by City Council. As a result, contributions to and draws from the Reserves and Reserve Funds do not necessarily correspond to the year in which the related expenditure was incurred by the Commission. In 2010, the average interest rate applicable to Reserve Funds was 0.35% (2009 – 0.5%).

In order to facilitate the reconciliation to the City's balances, only those contributions and withdrawals that had been approved by City Council as of the date of the consolidated financial statements are reported in the table.

The balances and transactions related to the Reserves and Reserve Funds are presented in the following table.

Reserves and Reserve Fund originating from Commission operating surpluses or operating subsidies

| (<i>\$000s</i>) | 2010 | | | 2009 | |
|--------------------------------|---------------|------------------|--------------------------|--------|--------|
| | Stabilization | Land Acquisition | City's Capital Financing | Total | Total |
| Balance, beginning of the year | 24,666 | 642 | 2,971 | 28,279 | 28,276 |
| Draws | - | - | - | - | - |
| Interest earned | - | 2 | - | 2 | 3 |
| Balance, end of the year | 24,666 | 644 | 2,971 | 28,281 | 28,279 |

Stabilization Reserve

The Stabilization Reserve was created to stabilize the funding of the Commission's operating expenditures over time. Any operating deficits, to the limit of the reserve balance and after approval from City Council, may be covered by a draw from this reserve.

Land Acquisition Reserve Fund

The Land Acquisition Reserve Fund was created to fund future land acquisitions by the City for the Commission's use.

City's Capital Financing Reserve

The \$3 million balance in the City's Capital Financing Reserve represents assessed liquidated damages against the Commission's bus supplier and were contributed to the reserve with City Council approval in July 2007. While these liquidated damages were accounted for upon completion of the bus order, the draw from the reserve has not yet been applied. The reserve draw will be fully applied in 2011.

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Reserve funds for transit capital funding originating through the Province of Ontario

| (\$000s) | CSIF | ORSIF | TTIP | MO2020 | 2010 Total | 2009 Total |
|-----------------------------------|----------|---------|---------|----------|---------------|---------------|
| Balance, beginning of the year | 71,074 | 29,483 | 6,307 | 416,892 | 523,756 | 611,907 |
| Provincial contributions | - | - | - | - | - | 4,237 |
| Draws | (35,619) | (8,725) | (2,104) | (79,499) | (125,947) | (95,472) |
| Interest earned | 244 | 106 | 22 | 1,564 | 1,936 | 3,084 |
| Balance, end of the year | 35,699 | 20,864 | 4,225 | 338,957 | 399,745 | 523,756 |

Advance payments from Metrolinx for Transit City projects of \$84.6 million offset by applications on account to TC projects of \$38.4 million (net of \$46.2 million) are excluded from this reserve tracking as they are separately managed by the City and will be adjusted through a Metrolinx TCP reserve in 2011 (2009 - \$NIL).

Canada Strategic Infrastructure (CSIF) Reserve Fund

A provincial payment of \$275.6 million was received in March 2007 for the remaining provincial commitment under CSIF for funding of Commission strategic capital projects. Of the total payment received, \$254.8 million has been applied to accumulated funding recognized by the Commission to date, of which \$35.6 million was drawn from the reserve fund in 2010 (2009 - \$32.5 million).

Ontario Rolling Stock Infrastructure (ORSIF) Reserve Fund

A provincial payment of \$150.0 million was received in March 2007 in support of Toronto's unique rolling stock requirements. Of the total payment received, \$136.5 million has been applied to accumulated funding recognized by the Commission to date, including \$8.7 million drawn from the reserve fund in 2010 (2009 - \$14.1 million).

Transit Technology Infrastructure Program (TTIP) Reserve Fund

A provincial payment of \$31.1 million was received in March 2007 in support of inter-regional transit improvements. Of the total payment received, \$27.6 million has been applied to accumulated funding recognized by the Commission to date including \$2.1 million drawn from the reserve fund in 2010 (2009 - \$0.7 million).

MoveOntario 2020 (MO2020) Reserve Fund

Provincial payments totalling \$452.5 million were received in March 2008 in support of the Metrolinx approved Quick Wins projects. Of the total payment received, \$125.1 million has been applied to accumulated funding recognized by the Commission to date for capital expenditures, including \$79.5 million drawn from the reserve fund in 2010 (2009 - \$37.8 million). Of the amount remaining in the reserve fund, there is also \$57.0 million in Capital Reserve funding which was received for 2009 capital which, based on direction from the City, will be applied against the cost of capital debt and remains unapplied at the end of 2010.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 17

Year ended December 31, 2010

15. 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 period during which the liability is determinable.
- (b) A class-action lawsuit claiming \$100 million in damages was issued on March 24, 2010 against the City of Toronto, and the Commission. The lawsuit alleges that merchants and landlords along St. Clair Avenue West suffered business losses due to the St. Clair streetcar project. On April 6, 2011 the Ontario Superior Court of Justice dismissed the class action lawsuit, pending a 60 day postponement to permit claims to be made under the Expropriations Act through the Ontario Municipal Board. At this time, the Plaintiff can appeal the Court decision and the outcome of any appeal is not determinable. As a result, no quantification of this claim has been included on the Commission's consolidated financial statements.
- (c) In February 2005, December 2007, December 2008 and October 2009, the Commission approved the awarding of contracts for the purchase of low-floor buses from DaimlerChrysler Commercial Buses North America Ltd. The delivery requirement is, in total, 694 diesel-electric hybrid buses and 395 diesel buses at a total value of \$755.5 million. At December 31, 2010, 95 of the 395 diesel buses are still to be delivered and the outstanding commitment is \$89.4 million.
- (d) In August 2006, the Commission approved purchasing 234 subway cars or 39 trainsets from Bombardier Transportation Canada Inc. In September 2006, City Council approved proceeding with this procurement and the contract was awarded on December 21, 2006. In May 2010, the Commission approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 H6 replacement trainsets for a total contract cost of \$1,167.8 million. The first trainset was delivered in October 2010. At December 31, 2010, the Commission had incurred costs of \$635.5 million (included in construction in progress – note 6), and the outstanding commitment is \$532.3 million.
- (e) In October 2008 and September 2010, the Commission approved the award of a contract to American Bus Products Inc. for the supply of 198 Wheel-Trans low-floor para-transit buses at a total cost of \$70.6 million. At December 31, 2010, 110 buses had been delivered at a cost of \$36.1 million and the outstanding commitment is \$34.5 million.
- (f) On June 26, 2009 the Commission approved funding for the design and supply of 204 Light Rail Vehicles ("LRV") and the contract was awarded to Bombardier Transportation Canada Inc., at a total cost of \$980.4 million. The first delivery of the LRVs is scheduled for 2012 and all 204 cars are to be delivered by 2018. At December 31, 2010, the Commission had incurred costs of \$130.6 million (included in construction in progress – note 6), and the outstanding commitment is \$849.8 million.
- (g) The Commission has contracts for the construction and implementation of various capital projects. At December 31, 2010, these contractual commitments are approximately \$604.6 million (2009 - \$274.8 million). Of this amount, contractual commitments of \$342.9 million (2009 – 105.9 million) relate to the Toronto York Spadina Subway Extension project and \$68.8 million (2009 - \$1.0 million) relate to Metrolinx projects.

TORONTO TRANSIT COMMISSION

Notes to the Consolidated Financial Statements, page 18

Year ended December 31, 2010

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

| | (\$000s) |
|---------------------|----------|
| 2011 | 9,600 |
| 2012 | 9,700 |
| 2013 | 7,600 |
| 2014 | 4,000 |
| 2015 | 2,500 |
| 2016 and thereafter | 1,400 |

16. FUTURE ACCOUNTING CHANGES

In September 2009, the Public Sector Accounting Board approved an amendment to the Introduction to the Public Sector Accounting Standards, whereby other government organizations including the Commission will be required to adopt either International Financial Reporting Standards or Public Sector Accounting Standards effective January 1, 2011. Management has determined that the Public Sector Accounting Standards would be most appropriate for the Commission.

17. COMPARATIVE FIGURES

Certain prior-year figures have been reclassified to conform to the current year's presentation.

TORONTO TRANSIT COMMISSION

Supplementary Schedules

Year ended December 31, 2010

TORONTO TRANSIT COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS SCHEDULE
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2010

| (\$000s) | TORONTO TRANSIT COMMISSION (TTC) | WHEEL-TRANS (WT) | TORONTO TRANSIT CONSULTANTS LIMITED (TTCL) | TORONTO COACH TERMINAL INC. (TCTI) | TTC INSURANCE COMPANY LIMITED (TTICL) | TOTAL BEFORE INTERCOMPANY ELIMINATIONS | INTERCOMPANY ELIMINATIONS | CONSOLIDATED FINANCIAL STATEMENTS |
|--|---|---------------------|---|---|--|---|------------------------------|---|
| STATEMENT OF OPERATIONS AND ACCUMULATED EQUITY | | | | | | | | |
| Revenue | | | | | | | | |
| Passenger services | (929,790) | (5,099) | - | - | - | (934,889) | - | (934,889) |
| Advertising | (18,904) | - | - | - | - | (18,904) | - | (18,904) |
| Outside city services | (17,679) | - | - | - | - | (17,679) | - | (17,679) |
| Property rental | (17,462) | - | - | (1,161) | - | (18,623) | 134 | (18,489) |
| Miscellaneous | (3,665) | - | (1) | (4,225) | (16) | (7,907) | 353 | (7,554) |
| Total revenue | (987,500) | (5,099) | (1) | (5,386) | (16) | (998,002) | 487 | (997,515) |
| Expenses | | | | | | | | |
| Wages, salaries and benefits | 1,051,229 | 45,875 | - | 2,909 | - | 1,100,013 | - | 1,100,013 |
| Depreciation | 541,749 | - | - | 570 | - | 542,319 | - | 542,319 |
| Amortization of capital contributions | (530,997) | - | - | - | - | (530,997) | - | (530,997) |
| Materials, services and supplies | 153,854 | 7,328 | - | 1,081 | 16 | 162,279 | (150) | 162,129 |
| Vehicle fuel | 73,971 | 2,640 | - | - | - | 76,611 | - | 76,611 |
| Accident claims | 46,717 | 471 | - | - | - | 47,188 | 16 | 47,204 |
| Electric traction power | 33,211 | - | - | - | - | 33,211 | - | 33,211 |
| Wheel-Trans contract services | - | 32,658 | - | - | - | 32,658 | - | 32,658 |
| Utilities | 16,126 | 342 | - | - | - | 16,468 | - | 16,468 |
| Interest expense net | - | - | - | 353 | - | 353 | (353) | - |
| Total expenses | 1,385,860 | 89,314 | - | 4,913 | 16 | 1,480,103 | (487) | 1,479,616 |
| Net operating costs/(income) | 398,360 | 84,215 | (1) | (473) | - | 482,101 | - | 482,101 |
| Operating subsidy from the Province | (91,600) | - | - | - | - | (91,600) | - | (91,600) |
| Operating subsidy from the City | (306,760) | (84,215) | - | - | - | (390,975) | - | (390,975) |
| Net operating (surplus)/deficit | - | - | (1) | (473) | - | (474) | - | (474) |
| Accumulated (equity)/deficit, beginning of the year | (14,196) | - | (61) | 4,786 | - | (9,471) | (100) | (9,571) |
| Asset Transfer (Build Toronto) | 55 | - | - | - | - | 55 | - | 55 |
| Accumulated (equity)/deficit, end of the year | (14,141) | - | (62) | 4,313 | - | (9,890) | (100) | (9,990) |
| Not on the Commission's consolidated financial statements – Reconciliation to the City operating subsidy (See note 12) | | | | | | | | |
| Operating subsidy from the City (as above) | 306,760 | 84,215 | - | - | - | 390,975 | - | - |
| Operating subsidies – long-term payable for accident claims | (17,308) | (5) | - | - | - | (17,313) | - | - |
| Operating subsidies – long-term payable for employee benefits | (14,276) | (642) | - | - | - | (14,918) | - | - |
| City special costs | 2,985 | - | - | - | - | 2,985 | - | - |
| (Draw from) the City's TTC Stabilization Reserve Fund | - | - | - | - | - | - | - | - |
| Total City operating subsidy | 278,161 | 83,568 | - | - | - | 361,729 | - | - |
| BALANCE SHEET | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and cash equivalents | 55,855 | - | 162 | 4,192 | 2,600 | 62,809 | - | 62,809 |
| Accounts receivable | | | | | | | | |
| City of Toronto | 355,338 | - | - | - | - | 355,338 | 32 | 355,370 |
| Other | 59,671 | - | - | 63 | 7 | 59,741 | (496) | 59,245 |
| Advances to subsidiary | - | - | - | 2,500 | - | 2,500 | (2,500) | - |
| Indemnity receivable from the Commission | - | - | - | - | 127,442 | 127,442 | (127,442) | - |
| Prepaid expenses | 3,468 | - | - | 10 | - | 3,478 | - | 3,478 |
| | 474,332 | - | 162 | 6,765 | 130,049 | 611,308 | (130,406) | 480,902 |
| Long-term Assets | | | | | | | | |
| Net capital assets | 4,890,675 | - | - | 6,129 | - | 4,896,804 | - | 4,896,804 |
| Spare parts | 96,068 | - | - | - | - | 96,068 | - | 96,068 |
| Receivable from City of Toronto | 149,132 | - | - | - | - | 149,132 | - | 149,132 |
| Investment in subsidiary | 2,548 | - | - | - | - | 2,548 | - | 2,548 |
| Other assets | 16,162 | - | - | 100 | - | 16,262 | (16,262) | - |
| | 5,628,917 | - | 162 | 12,994 | 130,049 | 5,772,122 | (146,668) | 5,625,454 |
| Current Liabilities | | | | | | | | |
| Accounts payable and accrued liabilities | (328,890) | - | - | (650) | (7) | (329,547) | 19 | (329,528) |
| Deferred passenger revenue | (63,852) | - | - | - | - | (63,852) | - | (63,852) |
| Unsettled accident claims | (38,735) | - | - | (10) | (127,442) | (166,187) | 127,442 | (38,745) |
| Due to parent | - | - | - | (15,607) | (2,500) | (18,107) | 18,107 | - |
| | (431,477) | - | - | (16,267) | (129,949) | (577,693) | 145,568 | (432,125) |
| Long-term Liabilities | | | | | | | | |
| Net capital contributions | (4,752,261) | - | - | - | - | (4,752,261) | - | (4,752,261) |
| Employee benefits | (320,721) | - | - | - | - | (320,721) | - | (320,721) |
| Unsettled accident claims | (104,099) | - | - | (40) | - | (104,139) | - | (104,139) |
| Environmental liabilities | (6,218) | - | - | - | - | (6,218) | - | (6,218) |
| | (5,614,776) | - | - | (16,307) | (129,949) | (5,761,032) | 145,568 | (5,615,464) |
| Capital Stock | - | - | (100) | (1,000) | (100) | (1,200) | 1,200 | - |
| Accumulated (equity)/deficit | (14,141) | - | (62) | 4,313 | - | (9,890) | (100) | (9,990) |
| | (5,628,917) | - | (162) | (12,994) | (130,049) | (5,772,122) | 146,668 | (5,625,454) |

TORONTO TRANSIT COMMISSION

CONVENTIONAL SYSTEM

10-YEAR NON-CONSOLIDATED FINANCIAL AND OPERATING STATISTICS

UNAUDITED

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------------|-------------------------|
| OPERATING STATISTICS (regular service inside the City) | | | | | | | | | | |
| Passenger Trips (Millions) | 477.4 | 471.2 | 466.7 | 459.8 | 444.5 | 431.2 | 418.1 | 405.4 | 415.5 | 420.0 |
| Basic Adult Ticket Fare (at December 31) (\$) | 2.50 | 2.25 | 2.25 | 2.25 | 2.10 | 2.00 | 1.90 | 1.90 | 1.80 | 1.80 |
| Average Number of Employees (including TCTI) | 12,553 | 12,324 | 11,679 | 11,233 | 10,905 | 10,669 | 10,553 | 10,450 | 10,356 | 10,191 |
| Average Hourly Wages & Benefits per Operator (\$) | 44.50 | 43.27 | 41.46 | 39.60 | 38.39 | 37.02 | 35.79 | 34.79 | 33.45 | 32.29 |
| Kilometres Operated (Millions) | | | | | | | | | | |
| Bus | 124.0 | 123.7 | 114.2 | 107.6 | 105.9 | 102.9 | 100.7 | 99.8 | 100.4 | 97.7 |
| Subway Car | 75.7 | 75.5 | 74.9 | 74.5 | 77.7 | 77.7 | 78.4 | 77.5 | 76.2 | 75.5 |
| Streetcar | 12.7 | 12.3 | 12.1 | 11.8 | 11.6 | 11.7 | 12.2 | 11.8 | 11.3 | 11.7 |
| Scarborough RT | 3.3 | 3.3 | 3.3 | 3.7 | 4.1 | 4.3 | 4.4 | 4.1 | 4.3 | 4.4 |
| Total Kilometres Operated | 215.7 | 214.8 | 204.5 | 197.6 | 199.3 | 196.6 | 195.7 | 193.2 | 192.2 | 189.3 |
| OPERATING REVENUE STATISTICS | | | | | | | | | | |
| Operating Revenue – including property rental, etc. (\$ Millions) | 987.5 | 886.4 | 891.8 | 825.8 | 782.6 | 753.4 | 731.2 | 703.0 | 687.8 | 670.6 |
| Operating Revenue per Passenger Trip (\$) | 2.07 | 1.88 | 1.91 | 1.80 | 1.76 | 1.75 | 1.75 | 1.73 | 1.66 | 1.60 |
| Operating Revenue per Kilometre (\$) | 4.58 | 4.13 | 4.36 | 4.18 | 3.93 | 3.83 | 3.74 | 3.64 | 3.58 | 3.54 |
| OPERATING EXPENSE STATISTICS | | | | | | | | | | |
| Operating Expenses (\$ Millions) | 1,385.9 | 1,328.7 | 1,208.7 | 1,125.4 | 1,042.3 | 960.2 | 932.7 | 899.0 | 848.9 | 797.2 |
| Operating Expense per Passenger Trip (\$) | 2.90 | 2.82 | 2.59 | 2.45 | 2.34 | 2.23 | 2.23 | 2.22 | 2.04 | 1.90 |
| Operating Expense per Kilometre (\$) | 6.43 | 6.19 | 5.91 | 5.70 | 5.23 | 4.88 | 4.77 | 4.65 | 4.42 | 4.21 |
| OPERATING SUBSIDY STATISTICS | | | | | | | | | | |
| Operating Subsidy (\$ Millions) ¹² | 398.4 ¹¹ | 442.3 ¹⁰ | 316.9 ⁹ | 299.6 ⁸ | 259.7 ⁷ | 206.8 ⁶ | 201.5 ⁵ | 179.2 ⁴ | 161.1 ³ | 126.6 ² |
| Operating Subsidy per Passenger Trip (\$) | 0.83 | 0.94 | 0.68 | 0.65 | 0.58 | 0.48 | 0.48 | 0.44 | 0.39 | 0.30 |
| Operating Subsidy per Kilometre (\$) | 1.85 | 2.06 | 1.55 | 1.52 | 1.30 | 1.05 | 1.03 | 0.93 | 0.84 | 0.67 |
| OPERATING DEFICIT/(SURPLUS) STATISTICS (see Notes for details) | | | | | | | | | | |
| Operating Deficit/(Surplus) (\$ Millions) | - | - | - | - | - | - | - | - | 16.8 | - |
| Operating Deficit/(Surplus) per Passenger Trip (\$) | - | - | - | - | - | - | - | - | 0.04 | - |
| Operating Deficit/(Surplus) per Kilometre (\$) | - | - | - | - | - | - | - | - | 0.09 | - |
| REVENUE/COST RATIO | | | | | | | | | | |
| | 71.3% ¹ | 66.7% ¹ | 73.8% ¹ | 73.4% ¹ | 75.1% ¹ | 78.5% ¹ | 78.4% ¹ | 78.2% ¹ | 81.0% ¹ | 84.1% ¹ |
| CAPITAL ASSETS (Conventional & Wheel-Trans) | | | | | | | | | | |
| Investment in Capital Assets at December 31 (\$ Millions) | | | | | | | | | | |
| Gross Investment (before contributions & depreciation) | 9,713.5 | 8,801.9 | 8,069.0 | 7,434.2 | 6,999.3 | 6,541.8 | 6,216.5 | 5,948.7 | 5,733.5 | 5,514.5 |
| City, Provincial, & Federal Contributions | (9,206.9) | (8,316.1) | (7,600.8) | (6,985.0) | (6,562.8) | (6,123.1) | (5,802.9) | (5,543.0) ¹³ | (5,337.2) ¹³ | (5,121.5) ¹³ |
| TTC Investment (before depreciation) | 506.6 | 485.8 | 468.2 | 449.2 | 436.5 | 418.7 | 413.6 | 405.7 | 396.3 | 393.0 |
| PASSENGER VEHICLE FLEET | | | | | | | | | | |
| (Conventional & Wheel-Trans, owned or leased and in service at December 31) | | | | | | | | | | |
| Buses | 1,811 | 1,782 | 1,737 | 1,545 | 1,543 | 1,491 | 1,502 | 1,489 | 1,468 | 1,480 |
| Subway Cars | 676 | 678 | 678 | 678 | 678 | 678 | 684 | 684 | 692 | 692 |
| Streetcars | 247 | 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 | 227 | 188 | 147 | 145 | 144 | 145 | 145 | 144 | 135 | 142 |
| Total Vehicle Fleet | 2,989 | 2,924 | 2,838 | 2,644 | 2,641 | 2,590 | 2,607 | 2,593 | 2,571 | 2,590 |

NOTES:

- The 2002 to 2010 revenue/cost ratios were calculated as operating revenue/operating expenses (**excluding** capital from current). The 2001 ratios was restated in 2002 to conform to the presentation adopted in 2002.
- 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.

8. In 2007, the total subsidy paid by the City was \$98.3 million, consisting of \$208 million for the operating subsidy, \$2.8 million for the City special costs, less \$96 million drawn from the TTC Stabilization Reserve Fund and a \$16.6 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.

9. In 2008, the total subsidy paid by the City was \$131.4 million, consisting of \$145.1 million for the operating subsidy, \$2.8 million for the City special costs, less a \$16.5 million long-term payable for employee benefits. The City allocated \$171.8 million of Provincial subsidy to the operating budget.

10. In 2009, the total subsidy paid by the City was \$302.7 million, consisting of \$350.7 million for the operating subsidy, \$3.0 million for the City special costs, less a \$30.4 million long-term payable for accident claims and a \$20.6 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.

11. In 2010, the total subsidy paid by the City was \$278.2 million, consisting of \$306.8 million for the operating subsidy, \$3.0 million for the City special costs, less a \$17.3 million long-term payable for accident claims and a \$14.3 million long-term payable for employee benefits. The City allocated \$91.6 million of Provincial subsidy to the operating budget.

12. The operating subsidy amounts do not include the capital from current amounts. For 2001 to 2002, the operating subsidy and operating subsidy per passenger and per kilometre amounts have been adjusted.

13. In 2003, the process for recording the disposition of subsidized capital assets was revised. The 2001 to 2003 capital subsidy amounts have been restated to conform to the new presentation.

**TORONTO TRANSIT COMMISSION
CONSOLIDATED BUDGET AND ACTUAL REVENUE AND EXPENSES SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2010**

UNAUDITED

(\$000s)

| | TTC BUDGET | WT BUDGET | TCTI BUDGET | INTERCOMPANY ELIMINATIONS | CONSOLIDATED BUDGET | CONSOLIDATED ACTUAL |
|--|------------------|---------------|----------------|------------------------------|------------------------|------------------------|
| Revenue | | | | | | |
| Passenger services | 888,225 | 4,757 | - | - | 892,982 | 934,889 |
| Advertising | 15,250 | - | - | - | 15,250 | 18,904 |
| Property rental | 18,090 | - | 4,244 | (134) | 22,200 | 18,489 |
| Outside city services | 18,250 | - | - | - | 18,250 | 17,679 |
| Miscellaneous | 1,500 | - | 1,807 | (324) | 2,983 | 7,554 |
| Total revenue | 941,315 | 4,757 | 6,051 | (458) | 951,665 | 997,515 |
| Expenses | | | | | | |
| Wages, salaries and benefits | 1,027,483 | 48,073 | 3,127 | - | 1,078,683 | 1,100,013 |
| Depreciation | 555,397 | - | 574 | - | 555,971 | 542,319 |
| Amortization of capital contributions | (530,997) | - | - | - | (530,997) | (530,997) |
| Materials, services and supplies | 162,560 | 9,909 | 1,361 | (134) | 173,696 | 162,129 |
| Vehicle fuel | 89,196 | 3,646 | - | - | 92,842 | 76,611 |
| Accident claims | 52,981 | 650 | - | - | 53,631 | 47,204 |
| Electric traction power | 35,111 | - | - | - | 35,111 | 33,211 |
| Wheel-Trans contract services | - | 25,822 | - | - | 25,822 | 32,658 |
| Utilities | 19,598 | 488 | - | - | 20,086 | 16,468 |
| Interest expense net | - | - | 324 | (324) | - | - |
| Total expenses | 1,411,329 | 88,588 | 5,386 | (458) | 1,504,845 | 1,479,616 |
| Net income /(operating costs) | (470,014) | (83,831) | 665 | - | (553,180) | (482,101) |
| Long-Term Receivable Accident Claims | 25,750 | 325 | - | - | 26,075 | 17,313 |
| Long-Term Receivable Employee Benefits | 17,600 | 830 | - | - | 18,430 | 14,918 |
| City Special Costs | (3,141) | - | - | - | (3,141) | (2,985) |
| Operating subsidy from the City | 429,805 | 82,676 | - | - | 512,481 | 453,329 |
| Net operating surplus | - | - | 665 | - | 665 | 474 |

Management Directory – December 31, 2010

SENIOR MANAGEMENT

Gary M. Webster
Chief General Manager

Rick Cornacchia
General Manager Operations

Vincent Rodo
General Secretary/
General Manager
Executive

John A. Sepulis
General Manager
Engineering & Construction

Scott Blakey
Executive Director
Human Resources

Allen J. Chocorlan
Deputy General Manager – Bus

Dave Dixon
Deputy General Manager – Rail

Brad Ross
Director – Corporate
Communications

DEPARTMENT HEADS

Terry A. Andrews
Chief Special Constable

Tony Baik
Chief Project Manager
Construction

Dick G. Beecroft
Chief Auditor

Andy G. Bertolo
Chief Project Manager
Spadina Subway Extension

John D. Cannell
Chief Operating Officer
Pension Fund Society

Anthony Creazzo
Senior Director
Support Services

Kathryn Dean
Manager
Training

Derick Finn
General Superintendent
Signals/Electrical/Communications

James Fraser
General Superintendent
Rail Transportation

William G. Frost
General Superintendent
Wheel-Trans

Domenic Garisto
Manager
Property Development

Sameh Ghaly
Chief Project Manager
Transit City

Bob Hughes
Chief Project Manager
TTC/GTA Farecard Project

David Hughes
Manager
Revenue Operations

Anthony Iannucci
Chief Information Officer (Acting)

Orest Z. Kobylansky
General Superintendent
Bus Maintenance

Brian M. Leck
General Counsel

Kevin Lee
Assistant General Secretary

Sandy MacDonald
Manager
Materials and Procurement

Paul Millett
Chief Project Manager
Yonge Subway Extension

John P. O'Grady
Chief Safety Officer

Susan Reed Tanaka
Manager - Engineering

Michael A. Roche
Chief Financial Officer

Gary A. Shortt
General Superintendent
Plant Maintenance

Alice E. Smith
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