**Consolidated Financial Statements of**
**Toronto Transit Commission**
**For the year ended December 31, 2024**

**TORONTO TRANSIT COMMISSION**
Consolidated Statement of Financial Position
As at December 31

| $000s | 2024 | 2023 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents (note 4) | 102,830 | 144,623 |
| Subsidies receivable (note 5) | 1,504,763 | 1,422,482 |
| Accounts receivable | 151,275 | 139,473 |
| Portfolio investments (note 6) | 2,301 | 2,296 |
| Derivative assets (note 7) | 232 | - |
| Indemnity receivable from the City of Toronto (note 8) | 25,984 | 14,383 |
| **Total financial assets** | **1,787,385** | **1,723,257** |
| | | |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 708,762 | 662,391 |
| Deferred revenue (note 12) | 42,576 | 42,342 |
| Employee future benefits liabilities (note 9) | 979,970 | 946,266 |
| Unsettled accident claims (note 8) | 161,702 | 155,676 |
| Environmental liabilities (note 10) | 17,651 | 17,141 |
| Asset retirement obligation (note 11) | 270,386 | 263,423 |
| Derivative liabilities (note 7) | - | 915 |
| **Total liabilities** | **2,181,047** | **2,088,154** |
| | | |
| **Net debt** | **(393,662)** | **(364,897)** |
| | | |
| **Non-financial assets** | | |
| Tangible capital assets (note 13) | 13,592,160 | 13,074,880 |
| Spare parts and supplies inventory | 236,559 | 222,787 |
| Prepaid expenses | 28,236 | 25,900 |
| **Total non-financial assets** | **13,856,955** | **13,323,567** |
| | | |
| **Accumulated surplus** | **13,463,293** | **12,958,670** |
| | | |
| **Accumulated surplus is comprised of:** | | |
| Accumulated operating surplus (note 14) | 13,462,401 | 12,959,225 |
| Accumulated remeasurement (losses)/gains | 892 | (555) |
| | | |
| Commitments, contingencies and contractual rights (note 20) | | |
| | | |
| | **13,463,293** | **12,958,670** |

See accompanying notes to the consolidated financial statements

Approved:

Commissioner

Commissioner

**TORONTO TRANSIT COMMISSION**
Consolidated Statement of Operations and Accumulated Surplus
For the year ended December 31

| $000s | 2024 Budget | 2024 | 2023 |
|---|---|---|---|
| | (note 18) | | |
| **Operating revenue** | | | |
| Passenger services | 1,005,534 | 1,027,936 | 943,496 |
| Advertising | 26,030 | 31,942 | 24,350 |
| Property rental | 19,433 | 15,181 | 16,682 |
| Outside city services | 9,025 | 9,197 | 9,361 |
| Miscellaneous | 71,867 | 88,821 | 32,400 |
| **Total operating revenue** | **1,131,889** | **1,173,077** | **1,026,289** |
| | | | |
| Operating subsidies (note 15) | 1,496,855 | 1,362,720 | 1,302,124 |
| Capital subsidies (note 16) | 1,360,744 | 1,272,132 | 1,228,083 |
| **Total subsidy revenue** | **2,857,599** | **2,634,852** | **2,530,207** |
| | | | |
| **Total revenue** | **3,989,488** | **3,807,929** | **3,556,496** |
| | | | |
| Conventional transit service | 3,198,916 | 3,123,204 | 2,942,638 |
| Wheel-Trans | 180,526 | 181,549 | 159,933 |
| Other functions | 2 | - | 6 |
| **Total expenses (note 17)** | **3,379,444** | **3,304,753** | **3,102,577** |
| | | | |
| **Surplus for the year** | **610,044** | **503,176** | **453,919** |
| | | | |
| Accumulated surplus, beginning of the year | | 12,959,225 | 12,505,306 |
| **Accumulated surplus, end of the year** | | **13,462,401** | **12,959,225** |

See accompanying notes to the consolidated financial statements

**TORONTO TRANSIT COMMISSION**
Consolidated Statement of Remeasurement Gains and Losses
For the year ended December 31

| $000s | **2024** | **2023** |
|---|---|---|
| Accumulated remeasurement (losses)/gains, beginning of the year | (555) | 1,465 |
| Unrealized gains/(losses) in the current year attributable to financial derivatives (note 7) | 1,083 | (1,460) |
| Unrealized gains in the current year attributable to foreign exchange revaluation | 300 | 31 |
| Realized amounts reclassified to Consolidated Statement of Operations and Accumulated Surplus | 64 | (591) |
| **Accumulated remeasurement gains/(losses), end of the year** | **892** | **(555)** |

See accompanying notes to the consolidated financial statements

**TORONTO TRANSIT COMMISSION**
Consolidated Statement of Net Debt
For the year ended December 31

| $000s | 2024 Budget (note 18) | 2024 | 2023 |
|---|---|---|---|
| Surplus for the year | 610,044 | 503,176 | 453,919 |
| Change in tangible capital assets (note 13) | | | |
| Acquisitions | (1,360,744) | (1,303,315) | (1,242,288) |
| Amortization | 774,717 | 777,163 | 769,399 |
| Writedowns | - | 8,872 | 11,095 |
| **Total change in tangible capital assets** | **(586,027)** | **(517,280)** | **(461,794)** |
| Change in spare parts and supplies | - | (13,772) | (40,092) |
| Change in prepaid expenses | - | (2,336) | (1,232) |
| Change in remeasurement gains for the year | - | 1,447 | (2,020) |
| **Change in net debt** | **24,017** | **(28,765)** | **(51,219)** |
| Net debt, beginning of the year | | (364,897) | (313,678) |
| **Net debt, end of the year** | | **(393,662)** | **(364,897)** |

See accompanying notes to the consolidated financial statements

**TORONTO TRANSIT COMMISSION**
Consolidated Statement of Cash Flow
For the year ended December 31

| $000s | 2024 | 2023 |
|---|---|---|
| **Operating activities** | | |
| Surplus of the year | 503,176 | 453,919 |
| | | |
| Add (deduct) items not involving cash: | | |
| Amortization of tangible capital assets | 777,163 | 769,399 |
| Net loss on disposal of tangible capital assets | 3,478 | 849 |
| Recognition of revenue from capital subsidies | (1,272,132) | (1,228,083) |
| Change in foreign exchange revaluation | 300 | 31 |
| Non-cash operating expenses | 3,043 | - |
| Tangible capital asset writedowns | 8,872 | 11,095 |
| | | |
| Changes in non-cash assets and liabilities related to operations: | | |
| (Increase)/decrease in operating subsidy receivable | (72,489) | 100,873 |
| Increase in operating accounts receivable | (11,807) | (25,502) |
| Increase in indemnity receivable from the City | (11,601) | (6,951) |
| Increase in spare parts and supplies inventory | (16,815) | (40,092) |
| Increase in operating prepaid expense | (2,734) | (1,232) |
| (Decrease)/increase in operating accounts payable and accrued liabilities | (15,525) | 77,444 |
| Increase/(decrease) in operating deferred revenue | 234 | (253) |
| Increase in employee future benefits liabilities | 33,704 | 34,732 |
| Increase in unsettled accident claims | 6,026 | 9,852 |
| Increase in environmental liabilities | 510 | 8,124 |
| **Cash (used in)/provided by operating activities** | **(66,597)** | **164,205** |
| | | |
| **Capital activities** | | |
| Tangible capital asset acquisitions | (1,238,003) | (1,286,234) |
| Tangible asset disposal proceeds | 467 | 775 |
| **Cash used in capital activities** | **(1,237,536)** | **(1,285,459)** |
| | | |
| **Financing activities** | | |
| Capital subsidies received | 1,262,340 | 1,156,434 |
| **Cash provided by financing activities** | **1,262,340** | **1,156,434** |
| | | |
| Change in cash and cash equivalents during the year | (41,793) | 35,180 |
| Cash and cash equivalents, beginning of the year | 144,623 | 109,443 |
| **Cash and cash equivalents, end of the year** | **102,830** | **144,623** |

See accompanying notes to the consolidated financial statements

**Notes to the Consolidated Financial Statements**
**For the year ended December 31, 2024**

## 1. NATURE OF OPERATIONS

The Toronto Transit Commission (the “TTC”) 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 outlined in the City of Toronto Act (2006), the TTC has exclusive authority to establish, operate or maintain a local passenger transportation system within the City. From a funding perspective, the TTC functions as one of the boards of the City and is dependent upon the City for both operating and capital subsidies (notes 15 and 16). The TTC also operates Wheel-Trans, a paratransit service for people with disabilities (which is also subsidized by the City), and owns the Toronto Coach Terminal Inc. and its subsidiary, the TTC Insurance Company Limited. The TTC controls the TTC Sick Benefit Association, which was incorporated to adjudicate and pay benefit claims to eligible Members of Association unable to work due to illness or disability. The TTC, which 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

The consolidated financial statements are prepared by the TTC in accordance with Canadian public sector accounting standards recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada (CPA Canada).

### b. Basis of consolidation

The consolidated financial statements include the operations of Wheel-Trans and the financial results of the TTC’s subsidiaries, the Toronto Coach Terminal Inc. (“TCTI”) and TCTI’s subsidiary, the TTC Insurance Company Limited (the “Insurance Co.”). The results of the TTC Sick Benefit Association (“SBA”), which is controlled by the TTC, have also been consolidated. The consolidation schedule is disclosed in Appendix 1.

### c. Measurement uncertainty

The preparation of the consolidated financial statements, in conformity with public sector accounting standards 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 future benefits are subject to the assumptions described in note 9 and other contingencies are described in note 20a. Also, management makes their best estimate on the fair value of certain pension investments described in note 9 as the final audited fair values are not available at the time of preparation of the financial statements. Amortization expense is based on the asset lives described in note 2h. Accident claims liabilities are subject to assumptions on discount rates and amounts reserved for incurred, but not reported claims as described in note 8. Deferred revenue is based on estimated value of fare media sold, but not yet used before year end as described in note 12. Environmental liabilities are subject to estimation of future costs as described in note 10. Actual results could differ from the amounts estimated.

In addition, the TTC’s implementation of PS3280 Asset Retirement Obligations (the "ARO") has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs as described in note 11.

### d. Subsidy revenue

Operating subsidies are authorized by the City after the TTC’s operating budgets have been approved. Operating subsidy revenue is recognized by the TTC in the period to the extent that net operating costs are incurred. Capital subsidies are recognized in revenue when the City authorizes the capital subsidy and the cost is incurred. The eligibility criteria and related stipulations must also have been met except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability, which can be influenced by a number of factors, including stipulations of the transfer.

### e. Operating revenue and deferred revenue

*Revenues from transactions with performance obligations:*
Revenues from transactions with performance obligations occur when there is an enforceable promise to transfer goods or services directly to a payor in return for promised consideration. Revenues are recognized when control of the benefits associated with the goods or services have transferred and there is no unfulfilled performance obligation. Any payments with unfulfilled performance obligation are recognized as a liability.

Passenger services revenue consist of performance obligations that are satisfied at a point in time and are recognized to revenue at the period when the passenger secures a ride. Revenue from passes is recognized over a period of time in the period in which they are valid. An estimate of tickets, tokens and passes sold which will be used or valid after the year-end are included in deferred revenue.

Other revenues such as advertising, property rental, outside city services and third party design review and construction services are recognized in revenue once the performance obligations are met and are measured at net realizable value.

*Revenues from transactions without performance obligations*
Transactions without performance obligations are either voluntary or involuntary. Revenue from involuntary transactions arise because the right to the economic resource is attributable to legislation based on constitutional authority or delegated constitutional authority. These revenues are recognized when the TTC's economic resources increase without a direct transfer of goods or services to a payor.

Any significant non-recurring revenues related to sale of capital assets are disclosed in note 13 Tangible Capital Assets.

### f. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and funds on deposit with a major financial institution.

### g. Spare parts and supplies inventory

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

**h. Tangible capital assets and amortization**

Tangible capital assets are recorded at cost less accumulated amortization. In addition to direct costs attributable to capital projects, the TTC capitalizes certain internal costs, which are directly related to the acquisition, construction, betterment, or development of those related capital assets. Amortization is calculated using the straight-line method, based on the estimated useful lives of major assets, as follows:

| Asset | Years |
|---|---|
| Subways | 20-65 |
| Buildings and structures | 20-40 |
| Rolling stock | 6-30 |
| Buses | 3-13 |
| Trackwork | 15-30 |
| Other equipment | 5-26 |
| Traction power distribution system | 24-25 |

Capital assets are amortized from the date that they enter service. One-half year of the amortization expense is recorded in the year of acquisition and assets under construction are not depreciated until the asset is substantially complete and available for productive use. A substantial amount of land that the TTC requires for operations is not recorded in these consolidated financial statements and is recorded in the financial statements of the City.

**i. Portfolio investments**

Portfolio investments consist of bonds that are recorded at amortized cost. Discounts or premiums on investments are amortized on an effective interest rate method until maturity of the investment to which this item is related. Investment income is reported as revenue in the period earned.

**j. Unsettled accident claims**

The TTC has a self-insurance program for automobile and general liability claims. Estimated costs to settle automobile and general liability claims are actuarially determined, based on available loss information and projections of the present value of estimated future expenditures developed from the TTC's historical experience for TTC related claims and the City's historical experience for City related claims. The provision for estimated future expenditures includes expected internal and external adjustment expenses, an estimate of claims incurred but not reported and a provision for adverse deviations.

**k. Employee future benefit plans**

The TTC's employee benefits plans include post-employment plans (workplace safety and insurance benefit plan and long term disability benefit plan), post-retirement plans (medical and dental benefits) and pension plans.

The costs of the post-employment benefit plans are recognized when the event that obligates the TTC occurs. Costs include projected future income replacement payments, health care continuation costs, taxes and fees paid to independent administrators, calculated on a present value basis.

The costs and obligations of the post-retirement benefit plans and pension plans are calculated using the projected benefits prorated on service method and management's best estimates of retirement ages of employees, future salary levels, expected health care cost escalations, and plan investment performance.

The net asset or liability related to each employee future benefit plan reflects the year-end difference between the value of the accrued benefit obligation and the value of the plan assets (if funded), net of unamortized gains and losses and the valuation allowance. Plan assets are valued using year-end fair market values.

Accrued benefit obligations and costs are determined using discount rates that are consistent with the City's long-term borrowing rates for the post-employment and post-retirement plans. For the TTC's funded pension plans, the discount rate is the plan's expected rate of return on plan assets.

Actuarial gains and losses arise from changes in actuarial assumptions or when actual experience differs from what was assumed. For post-employment benefit plans, the net actuarial gain or loss is deferred and amortized on a straight-line basis over the average expected period during which benefits will be paid unless there is a related plan amendment or curtailment. For workplace safety insurance benefits, the amortization period is 10.4 years (December 31, 2023 – 8.2 years) and for long-term disability benefits, the amortization period is 7.6 years (December 31, 2023 – 7.6 years). The amortization of the gain/loss begins in the year after the actuarial gain/loss arises.

A post-retirement benefit plan actuarial gain or loss is deferred and amortized over the expected average remaining service life of the employees unless there is a plan amendment or curtailment. The amortization period for the pension plan is 14.5 years (December 31, 2023 – 14.4 years), for the post-retirement medical and post-retirement dental plans the amortization period is 16.0 years (December 31, 2023 – 16.0 years) and for the supplemental funded pension plan, the amortization period is 7.2 years (December 31, 2023 – 7.2 years). The amortization of the actuarial gain or loss begins in the year after the gain or loss arises for all post-retirement plans except the TTC pension plan. Amortization begins in the year of the actuarial gain or loss for the TTC pension plan. This policy is expected to reduce the long term expense volatility that results from the accounting requirement to defer and amortize actuarial losses.

Past service costs arising from a plan amendment or plan initiation are recognized in the period of a plan amendment. Prior service costs or gains are offset by net actuarial gains or losses, if any, as of the end of the calendar year in which the prior service costs or gains arise. Unamortized amounts that remain after offsetting with prior period service costs or gains continue to be amortized in their original amount. Also, unamortized actuarial gains or losses related to settled or curtailed plans are recognized in the period of the plan settlement or curtailment.

**l. Contaminated sites and other environmental liabilities**

The Ministry of Environment (Ontario) sets out regulatory requirements pertaining to contaminant releases. Under this act, there is a requirement for the persons responsible to address a contaminant release that is causing or has caused an adverse effect. A provision in PS 3260 is provided for when a site has been identified as being non-compliant with environmental legislation, the TTC accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of costs can be determined. The estimated amounts of future costs are reviewed regularly, based on available information and governing legislation.

**m. Asset retirement obligations**

A liability for an ARO is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the TTC to incur retirement costs in relation to a tangible capital asset (or component thereof), the event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on estimated future expense information available as at the financial statement date. Due to uncertainty as to the future retirement date of assets, the TTC has chosen not to discount the future liability. In subsequent years, the liability is adjusted for changes due to revisions to either the timing or the amount of the original estimate of the undiscounted cash flows.

For assets that are not fully amortized and in productive use, the associated retirement liability recognized are capitalized as part of the carrying amount of the asset and amortized over the underlying assets' useful life in accordance with the amortization accounting policy outlined in 1(h).

**n. Financial instruments**

The TTC has designated its financial instruments as follows:

i) Cash and cash equivalents
ii) Subsidies receivable from the City of Toronto
iii) Accounts receivable
iv) Indemnity receivable from the City of Toronto
v) Portfolio investments, in bonds
vi) Accounts payable and certain accrued liabilities
vii) Financial derivatives

Cash and cash equivalents are recorded at cost which approximates fair market value. Financial derivatives are recorded at fair value. All other financial instruments are recorded at amortized cost. The fair values of the accounts receivable, operating and capital portions of the subsidies receivable, indemnity 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 other recoverable amounts within subsidies receivable from the City of Toronto (note 5) cannot be determined since there are no fixed terms of repayment.

PSAS Section 3450, Financial Instruments, requires disclosure of a three-level hierarchy for fair value measurement based on the transparency of inputs to the valuation of a financial asset or financial liability as at the financial statement date. The three levels are defined as follows:

Level 1 – fair value is based on quoted market prices in markets for identical financial assets or financial liabilities. Level 1 financial assets generally include equity investments traded in an active market.

Level 2 – fair value is based on observable inputs, either directly or indirectly, other than quoted prices included within Level 1.

Level 3 – fair value is based on non-observable market data inputs.

The TTC's financial derivatives are the only financial instruments recorded at fair value and they are classified as Level 2.

**o. Future accounting pronouncements**

The TTC continues to assess the impact on its consolidated financial statements of the following upcoming changes to PSAS.

*Standards applicable for fiscal years beginning on or after April 1, 2026 (the TTC's December 31, 2027 year-end):*

(i) Concepts Underlying Financial Performance, provides the core concepts and objectives underlying Canadian public sector accounting standards. General recognition and measurement criteria, and presentation concepts are introduced.
(ii) PS 1202, Financial statement presentation will replace the current PS 1201 Financial Statement presentation. The section includes items such as restructuring of the statement of financial position, changes to common terminology used in the financial statements and removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities).

**p. Change in Accounting Policies**

The TTC has adopted the following new accounting standard for the year ended December 31, 2024:

*PS 3400 Revenue*

On January 1, 2024, the TTC adopted Public Sector Accounting Standard PS 3400 – Revenue. The new accounting standard establishes a single framework to categorize revenue recognition and measurement. PS 3400 differentiates between revenue arising from transactions with performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied. The standard was adopted on a prospective basis at the date adoption, as permitted by the transitional provisions; prior periods were not restated.

*PS 3160 Public Private Partnerships*

Additionally, the TTC adopted Canadian public sector accounting standard PS 3160 Public Private Partnerships. The new accounting standard establishes standards on how to account for public private partnership arrangements and the recognition and measurement of resulting assets and liabilities. The TTC determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements as of December 31, 2024.

*PSG-8 Purchased Intangibles:*

The TTC adopted Canadian public sector accounting guideline PSG-8 Purchased Intangibles. The new accounting guideline establishes standards on how to account for purchased intangible assets. As at December 31, 2024, the TTC determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

## 3. FINANCIAL RISK MANAGEMENT

### Credit risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. As at December 31, 2024, the TTC's credit risk exposure consists mainly of the carrying amounts of cash and cash equivalents, portfolio investments, accounts receivable, subsidies receivable and indemnity receivable.

Cash and cash equivalents and portfolio investments are invested with the City of Toronto or a major financial institution and are therefore assessed as low risk.

Of TTC's accounts receivable, $50.6 million is past due (i.e. outstanding 30 days or more since the due date) and of this total, approximately 73.1% is due from government entities. TTC deems all of these amounts as collectible.

Approximately 24.2% of TTC's accounts receivable (December 31, 2023 – 21.8% ) and 100% of subsidies receivable (December 31, 2023 – 100%), is due from the City of Toronto. Impairment risk on this receivable is low since the TTC is controlled by the City.

The remaining 75.8% (December 31, 2023 - 78.2%) is comprised of:

Federal government: 25.1% (December 31, 2023 - 32.7%)

Provincial government: 35.2% (December 31, 2023 - 38.1%)

Other government entity: 0.7% (December 31, 2023 - 1.2%)

Non government entity: 14.8% (December 31, 2023 - 6.2%)

Impairment risk on receivables from the Federal government is low as it is mainly comprised of HST receivable.

The TTC's best practice is to obtain an advance deposit or letter of credit when entering a significant agreement with a non-government entity further lowering overall credit risk. Also, past due receivables are routinely monitored and subject to collection action.

To assess and manage its exposure to credit risk, the TTC reviews and reports impairment balances annually. The TTC believes that its credit risk is low and there are no notable concentrations of risk.

### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in currency or foreign exchange rates. The TTC has a limited foreign currency risk with respect to its financial instruments as substantially all of TTC's financial assets and financial liabilities are denominated in Canadian dollars. The TTC 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. As of the balance sheet date, TTC has $2.6 million in U.S. dollar financial liabilities (December 31, 2023 – $2.8 million), which is offset by TTC's U.S. dollar cash balance of $8.4 million (December 31, 2023 – $5.1 million). Therefore, TTC's currency risk is low and there are no notable concentrations of risk.

### Liquidity risk

Liquidity risk is the risk that the TTC will encounter difficulty in meeting obligations associated with its financial liabilities and other contractual obligations. TTC's accounts payables and accrued liabilities amount to $708.8 million (December 31, 2023 – $662.4 million) and, excluding non-financial liabilities, $402.7 million is due within one year or less (December 31, 2023 – $393.6 million). The TTC has a combination of cash on hand and receivables from governments and government organizations, including the City of Toronto, as described above within the statement of credit risk, which will be sufficient to satisfy these liabilities. Construction holdbacks of $68.6 million (December 31, 2023 – $43.9 million) are also excluded from the $402.7 million (December 31, 2023 – $393.6 million) due within a year; however, they are fully recoverable from the City of Toronto as referred to in note 5. Therefore TTC's liquidity risk is low and there are no notable concentrations of risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The TTC's interest rate risk is low as the TTC does not hold debt and all portfolio investments have fixed interest rates (note 6) and are expected to be held to maturity.

### Other price risk

The TTC is exposed to fuel price risk arising from fluctuations in fuel costs. To manage its exposure to fuel prices, the TTC enters into fuel swap contracts with financial institutions (note 7).

## 4. CASH AND CASH EQUIVALENTS

In connection with the City guarantee referred to in note 8, the Insurance Co., is required to maintain cash or securities available for payment of accident claims liabilities equal to one month's claims and operating expenses (all self-insured retention payments are processed through the TTC). The cash and cash equivalents amount restricted for this purpose is approximately $2.4 million as at December 31, 2024 (December 31, 2023 – $1.7 million).

## 5. SUBSIDIES RECEIVABLE

Subsidies from the City of Toronto consist of operating subsidies as described in note 15 and capital subsidies as described in note 16. Subsidies receivable as at December 31 comprise the following amounts, all of which are due from the City of Toronto:

| $000s | 2024 | 2023 |
|---|---|---|
| Subsidies to be collected within one year: | | |
| Capital subsidy receivable | 300,326 | 335,060 |
| Operating subsidy receivable | 202,933 | 138,801 |
| Total subsidies to be collected within one year | **503,259** | **473,861** |
| | | |
| Other recoverable amounts: | | |
| Employee benefits | 568,034 | 554,103 |
| Accident claims expenses | 23,884 | 29,458 |
| Construction related | 131,732 | 94,062 |
| Future environmental costs (note 10) | 7,468 | 7,575 |
| Asset retirement obligation (note 11) | 270,386 | 263,423 |
| Total other recoverable amounts | **1,001,504** | **948,621** |
| | | |
| **Total subsidies receivable** | **1,504,763** | **1,422,482** |

The amount related to non-cash employee benefits and accident claim expenses represents the delayed payment of operating subsidy for the non-cash portion of these expenses.

Subsidy receivable related to construction will be collected in the year the vendors are paid. Subsidy receivable for future environmental and legal asset retirement costs will be collected in the year in which the related work is performed.

## 6. PORTFOLIO INVESTMENTS

Portfolio investments as at December 31 consist of the following:

| $000s | 2024 | 2023 |
|---|---|---|
| Municipality of Metropolitan Toronto Bond (2.45%; February 6, 2025 maturity) | 2,301 | 2,296 |
| **Total portfolio investments** | **2,301** | **2,296** |

At December 31, 2024, the fair value of the bond is $2.3 million (December 31, 2023 – $2.3 million).

## 7. FINANCIAL DERIVATIVES

TTC's financial derivatives consist of heating fuel swaps with financial institutions which help manage TTC's exposure to fluctuating fuel prices by setting a fixed price for a future purchase of a fixed quantity of fuel. Heating fuel swaps are used because they are an openly traded commodity that most closely relates to the diesel fuel consumed by TTC. The TTC does not purchase or hold any derivative financial instrument for speculative purposes. Several derivative agreements were in place and used throughout the year and continue to exist as of December 31, 2024. Derivative instruments are required to be measured at fair value on initial recognition and changes in the fair value of the derivative instruments are recognized in the statement of remeasurement gains and losses. As of December 31, 2024, the accumulated remeasurement gains from these fuel swaps are $0.2 million (December 31, 2023 - $0.9 million of accumulated remeasurement losses). The derivative contracts are included in the statement of financial position on a present value basis. The fair value of these contracts are primarily derived using the quoted price of heating oil on the New York Mercantile Exchange (NYMEX) as of December 31, 2024. As of December 31, 2024, approximately 22.0% of diesel fuel requirement has been hedged using the fuel swap agreements (December 31, 2023 – 24.5%) with a notional quantity of 4.4 million gallons to be settled by January 2025.

## 8. INDEMNITY RECEIVABLE AND 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 TTC. On June 1, 2021, the Insurance Co.'s licence was amended to allow the Insurance Co. to provide insurance coverage to the City for claims arising on or after January 1, 2022. An indemnity agreement was entered into between the City and Insurance Co., whereby Insurance Co. is to be reimbursed by the City for all current and future costs and expenditures including all claims under the City's policies. An indemnity receivable from the City of $26.0 million (December 31, 2023 – $14.4 million) was recognized as part of the indemnity agreement, the amount of which corresponds with the unsettled accident claims for City's automobiles.

At December 31, 2024, $148.7 million (December 31, 2023– $143.1 million) of the unsettled accident claims liability is related to the Insurance Co.'s payable for all automobile claims incurred, including $26.0 million (December 31, 2023 – $14.4 million) from assuming the City's automobile risks. This portion of the TTC's and the City's accident claims liability is guaranteed by the City. The TTC and the City have purchased insurance from third-party insurers to cover tort claims in excess of $5.0 million on any one accident. The remainder of the unsettled accident claims liability, $13.0 million (December 31, 2023 – $12.6 million), relates to general liability claims of $16.0 million (December 31, 2023 – $15.7 million), less $3.0 million (December 31, 2023 – $3.1 million) of expected HST rebates.

The ultimate cost of these liabilities will vary from the best estimate made by management for a variety of reasons including additional information with respect to the facts and circumstances of the claims incurred. The liability includes a reserve established for each file as well as an incurred but not reported ("IBNR") provision to account for the fact that full information on case files may not be available at the valuation date, or losses have been incurred but are not yet reported. Therefore, the TTC relies upon historical information and statistical models to estimate the IBNR liability. The TTC also uses reported claims trends, claims severity, exposure growth and other factors in estimating its IBNR reserve. The time required to learn of and settle claims is an important consideration in establishing the TTC's reserves. The TTC revises these reserves as additional information becomes available.

This provision is discounted to take into account the time value of money and a provision for adverse deviation ("PFAD") is added as recommended by standard actuarial practice. Assumptions regarding the anticipated timing of future payments and an appropriate discount rate are made by management. As uncertainty exists with respect to the determination of these discounted estimates, an explicit PFAD is made for potential claims development. A PFAD is selected based on guidance developed by the Canadian Institute of Actuaries.

The following table summarizes the effects of the time value of money and PFAD on the liability for unpaid claims and claims adjustment costs.

| **Unpaid claims and claims adjustment costs<br>$000s** | **Undiscounted** | **Time value of money** | **Discounted (before PFAD)** | **PFAD** | **Discounted** |
|---|---|---|---|---|---|
| As at December 31, 2024 | 161,400 | (15,331) | 146,069 | 15,633 | **161,702** |
| As at December 31, 2023 | 156,554 | (15,831) | 140,723 | 14,953 | **155,676** |

As at December 31, 2024, the interest rate used to determine the time value of money was 3.07% and reflected the market yield (December 31, 2023 – 3.29%).

## 9. EMPLOYEE FUTURE BENEFITS

**Description of benefit plans**

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

**Post-employment benefit plans**

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

For the post-employment benefit plans, the effective date of the most recent actuarial valuation was September 30, 2024. 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, 2025.

**Post-retirement, non-pension benefit plans**

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

For the post-retirement benefit plans, the effective date of the most recent actuarial valuation was January 1, 2024. 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, 2027.

**Supplemental pension plans**

The TTC and plan members participate in supplemental pension plans. These plans provide pension benefits which the TTC pension plan cannot provide because of the limits imposed by the Income Tax Act. These pension benefits automatically reflect changes that are made to the TTC Pension plan.

The funded supplemental pension plan has been accounted for as a defined benefit plan and the TTC has recognized 100% of the plan's pension expense, assets and obligation. The funded supplemental pension plan's assets consist of 53.8% (December 31, 2023 – 52.6%) cash and equity index pooled funds which are carried at market and 46.2% (December 31, 2023 – 47.4%) deposit in a Canada Revenue Agency non-interest bearing refundable tax account. The effective date of the most recent actuarial valuation for funding purposes was January 1, 2024. The next actuarial valuation for funding purposes is expected to be performed as at January 1, 2025. The effective date of the most recent valuation for accounting purposes was December 31, 2024.

**TTC Pension Fund Society**

The TTC participates in the TTC Pension Fund Society (TTCPFS), a defined benefit pension plan. In 2021, the TTCPFS rebranded and is now referred to as the TTC Pension Plan (TTCPP). The TTCPP is a separate legal entity and is governed by a Board of Directors consisting of 10 voting members, five of whom are appointed from the Toronto Transit Commission and five are appointed from the Amalgamated Transit Union Local 113 (ATU). Pursuant to the Sponsors Agreement between the ATU and the TTC, the TTCPP was registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011.

The plan is accounted for as a joint defined benefit plan as the TTC and its employees jointly share the risks in the plan and share control of decisions related to the plan administration and to the level of benefits and contributions on an ongoing basis. The TTC is required to account for its portion of the plan (i.e. 50%) and has therefore, recognized 50% of the pension expense incurred during the year and 50% of the plan's assets and obligation.

In lieu of TTC paying the administrative expenses of the TTCPP directly, the TTC and the TTCPP agreed to have TTC make a fixed fee contribution to the TTCPP each January. The fixed fee contribution will be adjusted annually based on the consumer price index. Along with this change, the former TTC employees of the TTCPP became employees of the TTCPP itself (as an employer). The contribution to administrative costs and the increase in the service cost have been reflected in the schedules below.

The plan covers substantially all employees of the TTC (and the TTCPP) who have completed six months of continuous service. Under the plan, contributions are made by the plan members and matched by the TTC (or the TTCPP, as an employer). The contribution rates are set by the Board, subject to the funding requirements determined in the actuarial report and subject to the limitations in the Sponsors Agreements between the ATU and the TTC.

The plan provides pensions to members, based on a formula that factors in the length of credited service and best four years of pensionable earnings up to a base year. A formula exists that sets a target for pensioner increases. The Board of Directors of the TTCPP make decisions with respect to affordable pension formula updates, pension indexing and plan improvements based on the results of the most recent funding valuation and the priorities set out in the plan's by-laws and funding policy.

Effective January 1, 2024, the base year for the TTC pension plan and the funded supplemental pension plans was updated to December 31, 2023 (from December 31, 2022). In addition, the survivor benefit date was updated to January 1, 2024 (from January 1, 2023) and an ad hoc increase of up to 4.77% (December 31, 2023 – 5.35%) was granted to all pensioners. The TTC's share of the prior service cost of these plan amendments have been reflected in the consolidated statement of operations.

The effective date of the most recent actuarial valuation for funding purposes for the TTC Pension Fund was January 1, 2024. The next required actuarial valuation for funding purposes will be performed as at January 1, 2025. The effective date of the most recent valuation for accounting purposes was December 31, 2024.

The continuity of the change in the employee benefit liabilities/(assets) including expenses recognized in 2024 is as follows:

| $000s | Post-Employment Plans | Post-Retirement Non-Pension Plans | Supplemental Pension Plans | **Total employee benefit liabilities** | **TTC Pension Fund** |
|---|---|---|---|---|---|
| Accrued benefit liability (asset) balance, beginning of the year | 282,947 | 670,252 | (6,933) | **946,266** | **-** |
| Current service cost: | 65,907 | 23,334 | 43 | **89,284** | **89,055** |
| Interest cost | 13,037 | 18,852 | (170) | **31,719** | **(60,166)** |
| Amortization of actuarial (gains)/losses:[1] | 10,650 | (8,715) | (841) | **1,094** | **(117,572)** |
| Plan amendments | - | - | 1,436 | **1,436** | **107,492** |
| Change in valuation allowance | - | - | - | **-** | **137,522** |
| Total expenses | 89,594 | 33,471 | 468 | **123,533** | **156,331** |
| Benefits paid | (70,334) | (17,235) | (157) | **(87,726)** | **-** |
| Employer contributions | - | - | (2,103) | **(2,103)** | **(156,331)** |
| **Accrued benefit liability/(asset) balance, end of the year** | 302,207 | 686,488 | (8,725) | **979,970** | **-** |

[1]TTC Pension Fund ($117,572) amortization included recognition of net unamortized gains of $107,492 which were applied to the cost of the plan amendments.

The continuity of the change in the employee benefit liabilities/(asset) including expenses recognized in 2023 is as follows:

| $000s | Post-Employment Plans | Post-Retirement Non-Pension Plans | Supplemental Pension Plans | **Total employee benefit liabilities** | **TTC Pension Fund** |
|---|---|---|---|---|---|
| Accrued benefit liability (asset) balance, beginning of the year | 268,945 | 648,087 | (5,498) | **911,534** | **-** |
| Current service cost | 60,538 | 22,117 | 72 | **82,727** | **77,232** |
| Interest cost | 12,081 | 21,070 | (107) | **33,044** | **(64,156)** |
| Amortization of actuarial losses/(gains):[1] | 3,520 | (5,151) | 21 | **(1,610)** | **(75,023)** |
| Plan amendments | - | - | 1,387 | **1,387** | **111,229** |
| Change in valuation allowance | - | - | - | **-** | **91,969** |
| Total expenses | 76,139 | 38,036 | 1,373 | **115,548** | **141,251** |
| Benefits paid | (62,137) | (15,871) | (176) | **(78,184)** | **-** |
| Employer contributions | - | - | (2,632) | **(2,632)** | **(141,251)** |
| **Accrued benefit liability/(asset) balance, end of the year** | **282,947** | **670,252** | **(6,933)** | 946,266 | **-** |

[1]TTC Pension Fund ($75,023) amortization included recognition of net unamortized gains of $111,229 which were applied to the cost of the plan amendments.

The following table summarizes the employee future benefit costs included in the Consolidated Statement of Operations and Accumulated Surplus:

| $000s | **2024** | **2023** |
|---|---|---|
| Cost of TTC Pension Fund contributions | 156,331 | 141,251 |
| TTC Pension expense in excess of contributions | - | - |
| Net cost of TTC Pension Fund | 156,331 | 141,251 |
| Cost of other future employee benefits | 123,533 | 115,548 |
| Total cost of employee future benefits | 279,864 | 256,799 |
| Less: Costs allocated to capital assets | (38,089) | (33,500) |
| **Total employee future benefit costs included in the Consolidated Statement of Operations and Accumulated Surplus** | **241,775** | **223,299** |

The following table summarizes how the employee future benefit costs are included in note 17, expenditure by object:

| $000s | **2024** | **2023** |
|---|---|---|
| Employee future benefit costs included in Wages, salaries and benefits (note 17) | 241,775 | 223,299 |
| **Total employee future benefit costs included in the Consolidated Statement of Operations and Accumulated Surplus** | **241,775** | 223,299 |

Reconciliation of funded status to the employee benefit liabilities and assets as at December 31, 2024 is as follows:

| $000s | Post-Employment Plans | Post-Retirement Non-Pension Plans | Supplemental Pension Plans | **Total employee benefit liabilities** | **TTC Pension Fund** |
|---|---|---|---|---|---|
| Fair value of plan assets | - | - | 32,364 | **32,364** | **4,596,489** |
| Accrued benefit obligations | 497,165 | 481,670 | 23,639 | **1,002,474** | **3,428,529** |
| Funded status – (deficit)/surplus | (497,165) | (481,670) | 8,725 | **(970,110)** | **1,167,960** |
| Unamortized (gains)/losses | 194,958 | (204,818) | - | **(9,860)** | **(28,582)** |
| Accrued benefit (liability)/asset | (302,207) | (686,488) | 8,725 | **(979,970)** | **1,139,378** [1] |
| Valuation allowance | - | - | - | **-** | **(1,139,378)** |
| **Employee benefit (liability)/asset** | **(302,207)** | **(686,488)** | **8,725** | **(979,970)** | **-** |

Reconciliation of funded status to the employee benefit liabilities and assets as at December 31, 2023 is as follows:

| $000s | Post-Employment Plans | Post-Retirement Non-Pension Plans | Supplemental Pension Plans | **Total employee benefit liabilities** | **TTC Pension Fund** |
|---|---|---|---|---|---|
| Fair value of plan assets | - | - | 28,822 | **28,822** | **4,159,017** |
| Accrued benefit obligations | 369,199 | 511,810 | 21,889 | **902,898** | **3,157,161** |
| Funded status – (deficit)/surplus | (369,199) | (511,810) | 6,933 | **(874,076)** | **1,001,856** |
| Unamortized (gains)/losses | 86,252 | (158,442) | - | **(72,190)** | **-** |
| Accrued benefit (liability)/asset | (282,947) | (670,252) | 6,933 | **(946,266)** | **1,001,856** [1] |
| Valuation allowance | - | - | - | **-** | **(1,001,856)** |
| **Employee benefit (liability)/asset** | **(282,947)** | **(670,252)** | **6,933** | **(946,266)** | **-** |

[1]The TTC's portion of the assets in the TTC Pension Fund is carried at market value. As the TTC cannot withdraw the surplus to reduce its contributions, the expected benefit of a surplus is nil and therefore, a valuation allowance of $1,139.4 million (December 31, 2023- $1,001.9 million) is required to reduce the accrued benefit asset to either the value of the net unamortized actuarial losses (if any) or to the value of the fund surplus less net unamortized gains.

The continuity of the change in the accrued benefit obligation including costs recognized in 2024 is as follows:

| $000s | Post-Employment Plans | Post-Retirement Non-Pension Plans | Supplemental Pension Plans | **Total employee benefit liabilities** | **TTC Pension Fund** |
|---|---|---|---|---|---|
| Balance, beginning of the year | 369,199 | 511,810 | 21,889 | **902,898** | **3,157,161** |
| Current service cost: | 65,907 | 23,334 | 43 | **89,284** | **86,409** |
| Interest cost | 13,037 | 18,852 | 869 | **32,758** | **219,973** |
| (Gain)/loss on the obligation: | 119,356 | (66,080) | 885 | **54,161** | **89,828** |
| Employee contributions | - | - | 156 | **156** | **-** |
| Benefits paid | (70,334) | (17,235) | (1,638) | **(89,207)** | **(232,334)** |
| Plan amendments | - | 10,989 | 1,436 | **12,425** | **107,492** |
| **Balance, end of the year** | **497,165** | **481,670** | **23,640** | **1,002,475** | **3,428,529** |

The continuity of the change in the accrued benefit obligation including costs recognized in 2023 is as follows:

| $000s | Post-Employment Plans | Post-Retirement Non-Pension Plans | Supplemental Pension Plans | **Total employee benefit liabilities** | **TTC Pension Fund** |
|---|---|---|---|---|---|
| Balance, beginning of the year | 317,586 | 457,064 | 20,931 | **795,581** | **2,877,458** |
| Current service cost | 60,538 | 22,117 | 73 | **82,728** | **74,695** |
| Interest cost | 12,081 | 21,070 | 781 | **33,932** | **209,708** |
| (Gain)/loss on the obligation | 41,131 | 27,430 | (175) | **68,386** | **103,579** |
| Employee contributions | - | - | 120 | **120** | **-** |
| Benefits paid | (62,137) | (15,871) | (1,228) | **(79,236)** | **(219,508)** |
| Plan amendments | - | - | 1,387 | **1,387** | **111,229** |
| **Balance, end of the year** | **369,199** | **511,810** | **21,889** | **902,898** | **3,157,161** |

The continuity of the plan assets for the funded pension plans in 2024 is as follows:

| $000s | Supplemental Pension Plan | TTC Pension Fund |
|---|---|---|
| Balance, beginning of the year | 28,822 | 4,159,017 |
| Employee contributions | 156 | - |
| Employer contributions | 2,103 | 156,331 |
| Expected return on plan | 1,039 | 280,139 |
| Excess on return on plan assets | 1,725 | 235,982 |
| TTC's portion of TTC Pension Fund administrative expenses | - | (2,646) |
| Benefits paid | (1,481) | (232,334) |
| **Balance, end of the year** | **32,364** | **4,596,489** |

The continuity of the plan assets for the funded pension plans in 2023 is as follows:

| $000s | Supplemental Pension Plan | TTC Pension Fund |
|---|---|---|
| Balance, beginning of the year | 25,204 | 3,897,636 |
| Employee contributions | 120 | - |
| Employer contributions | 2,632 | 141,251 |
| Expected return on plan assets | 888 | 273,864 |
| Excess on return on plan assets | 1,030 | 68,311 |
| TTC's portion of TTC Pension Fund administrative expenses | - | (2,537) |
| Benefits paid | (1,052) | (219,508) |
| **Balance, end of the year** | **28,822** | **4,159,017** |

Significant assumptions used in accounting for employee future benefits are as follows:

| | **2024** | **2023** |
|---|---|---|
| Accrued benefit obligations as at December 31: | | |
| Discount rate for post-employment plans | 3.70% to 3.90% | 3.80% to 3.90% |
| Discount rate for post-retirement, non-pension plans | 4.40% | 4.30% |
| Discount rate for supplemental pension plans | 3.50% to 3.75% | 3.70% to 3.85% |
| Discount rate for TTC Pension Fund | 6.60% | 6.80% |
| Rate of increase in earnings | 2.50% to 5.29% | 2.50% to 4.50% |
| Benefit costs for the years ended December 31: | | |
| Discount rate for post-employment plans | 3.80% to 3.90% | 4.10% to 4.20% |
| Discount rate for post-retirement, non-pension plans | 4.30% | 4.70% |
| Discount rate for supplemental pension plans | 3.70% to 4.20% | 3.60% to 4.20% |
| Discount rate for TTC Pension Fund | 6.80% | 7.10% |
| Rate of increase in earnings | 2.50% to 5.29% | 2.50% to 4.50% |
| Expected rate of return on assets, supplemental pension plan | 3.70% | 3.60% |
| Actual rate of return on assets, supplemental pension plan | 9.50% | 7.40% |
| Expected rate of return on assets, TTC Pension Fund | 6.80% | 7.10% |
| Actual rate of return on assets, TTC Pension Fund | 13.0% | 9.30% |

The TTC's annual rate of growth for post-retirement drug costs as of December 31, 2024 was estimated between 7.9% and 10.0%, depending on the member's age (down from a range of 8.0% to 10.1% as of December 31, 2023). These rates consist of a drug trend rate of 5.7% (down from 5.8% as of December 31, 2023), grading down linearly to 4.0% per annum in 2040 and aging factors that vary between 4.3% at age 50 to 2.2% at age 64 (drug coverage ceases at age 65).

The annual rate of growth for post-retirement dental costs was estimated between 4.3% and 5.1%, depending on the member's age. These rates consist of a dental trend rate of 4.0% and aging factors that vary between 1.1% at age 50 and 0.3% at age 70 (the oldest retiree with dental coverage is 69.7 years old as of December 31, 2024). This compares to a flat 4.0% rate of growth at all ages as of December 31, 2023 (no dental aging was assumed until the January 1, 2024 valuation).

Total financial status of the TTC Pension Fund as at December 31 is as follows:

| $000s | **2024** | **2023** |
|---|---|---|
| Fair value of plan assets | 9,192,978 | 8,318,033 |
| Accrued benefit obligations | 6,857,057 | 6,314,322 |
| **Funded status – surplus** | **2,335,921** | **2,003,711** |

## 10. ENVIRONMENTAL LIABILITIES

As an operator of diesel buses that are refueled on property and an enterprise that repairs and rebuilds buses and other rolling stock, the TTC and its subsidiaries are subject to various federal, provincial and municipal laws and regulations related to the environment. The TTC is also subject to health and safety legislation. Environmental advisors and specialists are retained to support the TTC's investigative and remedial efforts.

The amount accrued represents the estimated costs of remediating, monitoring and containing known contamination, including airborne contamination on sites for which the TTC is responsible as well as noise abatement activities. The estimate of environmental liabilities is based on a number of factors, such as the site conditions, type of contaminants and the anticipated results of monitoring and therefore the actual costs may vary. The estimate varies based on the scope of work to be completed.

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

## 11. ASSET RETIREMENT OBLIGATIONS

The TTC recognized an ARO relating to several buildings and structures owned by the TTC that contain asbestos. The TTC also recognized an additional ARO related to a portion of the decommissioned Scarborough Rail Transit (SRT) structure, surface tracks and electrical poles and fuel storage tanks no longer in productive use for transit purposes and property lease commitments. The liability was measured on the date of the acquisition when the liability was assumed. Costs estimates were based upon the presently known obligations obtained through assessments and were not discounted given uncertainties as to the future asset retirement plans. Given the long-term nature of tangible capital assets as future estimated asset retirement costs may or may not materialize at end of its useful life, there are no changes to the existing funding arrangements from the adoption of the ARO standard. Obligations related to asset retirement will be continued to be budgeted and funded as the work is planned and completed, respectively.

Changes to the ARO are as follows:

| **Asset Retirement Obligation** | **Opening January 1, 2024** | **Liability incurred / (settled)** | **Ending December 31, 2024** |
|---|---|---|---|
| $000s | | | |
| Asbestos Obligation | 209,623 | 5,727 | 215,350 |
| Decommissioned Scarborough Rail Transit (SRT) Guideway | 25,665 | 1,711 | 27,376 |
| Fuel (Combustible) Storage Tanks | 15,677 | (10) | 15,667 |
| Electrical Trolley Coach Poles | 10,525 | (545) | 9,980 |
| Other Asset Retirement Obligations | 1,933 | 80 | 2,013 |
| **Total Asset Retirement Obligations** | 263,423 | 6,963 | 270,386 |

| **Asset Retirement Obligation** | **Opening January 1, 2023** | **Liability incurred / (settled)** | **Ending December 31, 2023** |
|---|---|---|---|
| $000s | | | |
| Asbestos Obligation | 214,667 | (5,044) | 209,623 |
| Decommissioned Scarborough Rail Transit (SRT) Guideway | - | 25,665 | 25,665 |
| Fuel (Combustible) Storage Tanks | 17,591 | (1,914) | 15,677 |
| Electrical Trolley Coach Poles | 12,381 | (1,856) | 10,525 |
| Other Asset Retirement Obligations | 2,032 | (99) | 1,933 |
| **Total Asset Retirement Obligations** | 246,671 | 16,752 | 263,423 |

## 12. DEFERRED REVENUE

Deferred revenue as at December 31 consists of the following:

| $000s | **2024** | **2023** |
|---|---|---|
| Deferred passenger revenue | 36,512 | 36,297 |
| Deferred credits | 6,064 | 6,045 |
| **Total** | **42,576** | **42,342** |

## 13. TANGIBLE CAPITAL ASSETS

The cost of tangible capital assets is as follows:

| $000s | Cost as at December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | **Beginning** | **Additions, net of transfers** | **Disposals** | **Write downs** | **Ending** |
| Subways | 5,034,847 | 170,677 | - | - | 5,205,524 |
| Buildings and structures | 5,036,304 | 171,795 | - | - | 5,208,099 |
| Rolling stock | 3,647,129 | 285,709 | (20,750) | - | 3,912,088 |
| Buses | 2,507,867 | 251,866 | (138,587) | - | 2,621,146 |
| Trackwork | 2,570,503 | 140,281 | - | - | 2,710,784 |
| Other equipment | 1,563,215 | 162,404 | (4,523) | - | 1,721,096 |
| Traction power distribution | 858,313 | 62,294 | - | - | 920,607 |
| Land | 11,946 | - | - | - | 11,946 |
| Construction in progress | 1,774,611 | 58,289 | - | (8,872) | 1,824,028 |
| **Total** | **23,004,735** | **1,303,315** | **(163,860)** | **(8,872)** | **24,135,318** |

| $000s | Cost as at December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | **Beginning** | **Additions, net of transfers** | **Disposals** | **Write downs** | **Ending** |
| Subways | 4,934,056 | 100,791 | - | - | 5,034,847 |
| Buildings and structures | 4,881,830 | 154,474 | - | - | 5,036,304 |
| Rolling stock | 3,542,979 | 104,150 | - | - | 3,647,129 |
| Buses | 2,249,625 | 320,527 | (62,285) | - | 2,507,867 |
| Trackwork | 2,375,235 | 195,268 | - | - | 2,570,503 |
| Other equipment | 1,501,823 | 75,054 | (13,662) | - | 1,563,215 |
| Traction power distribution | 843,010 | 15,303 | - | - | 858,313 |
| Land | 11,946 | - | - | - | 11,946 |
| Construction in progress | 1,508,985 | 276,721 | - | (11,095) | 1,774,611 |
| **Total** | **21,849,489** | **1,242,288** | **(75,947)** | **(11,095)** | **23,004,735** |

The accumulated amortization for tangible capital assets is:

| $000s | Accumulated amortization as at December 31, 2024 | | | |
|---|---|---|---|---|
| | **Beginning** | **Amortization** | **Disposals** | **Ending** |
| Subways | 1,913,906 | 116,287 | - | 2,030,193 |
| Buildings and structures | 1,465,246 | 154,544 | - | 1,619,790 |
| Rolling stock | 1,744,850 | 146,197 | (20,750) | 1,870,297 |
| Buses | 1,538,278 | 177,519 | (138,587) | 1,577,210 |
| Trackwork | 1,745,248 | 60,606 | - | 1,805,854 |
| Other equipment | 1,093,464 | 93,731 | (4,523) | 1,182,672 |
| Traction power distribution | 428,863 | 28,279 | - | 457,142 |
| **Total** | **9,929,855** | **777,163** | **(163,860)** | **10,543,158** |

| $000s | Accumulated amortization as at December 31, 2023 | | | |
|---|---|---|---|---|
| | **Beginning** | **Amortization** | **Disposals** | **Ending** |
| Subways | 1,802,662 | 111,244 | - | 1,913,906 |
| Buildings and structures | 1,306,013 | 159,233 | - | 1,465,246 |
| Rolling stock | 1,586,148 | 158,702 | - | 1,744,850 |
| Buses | 1,431,760 | 168,803 | (62,285) | 1,538,278 |
| Trackwork | 1,673,358 | 71,890 | - | 1,745,248 |
| Other equipment | 1,023,080 | 84,046 | (13,662) | 1,093,464 |
| Traction power distribution | 413,382 | 15,481 | - | 428,863 |
| **Total** | **9,236,403** | **769,399** | **(75,947)** | **9,929,855** |

Based on the above, net book value as at December 31 is:

| $000s | **Net book value 2024** | **Net book value 2023** |
|---|---|---|
| Subways | 3,175,331 | 3,120,941 |
| Buildings and structures | 3,588,309 | 3,571,058 |
| Rolling stock | 2,041,791 | 1,902,279 |
| Buses | 1,043,936 | 969,589 |
| Trackwork | 904,930 | 825,255 |
| Other equipment | 538,424 | 469,751 |
| Traction power distribution | 463,465 | 429,450 |
| Land | 11,946 | 11,946 |
| Construction in progress | 1,824,028 | 1,774,611 |
| **Total** | **13,592,160** | **13,074,880** |

These costs include the capitalization of certain internal costs as described in note 2h.

## 14. ACCUMULATED OPERATING SURPLUS

Accumulated operating surplus as at December 31 consists of:

| $000s | 2024 | 2023 |
|---|---:|---:|
| Invested in tangible capital assets | 13,443,805 | 12,940,770 |
| Accumulated surplus from TTC subsidiaries | 4,455 | 4,314 |
| Accumulated surplus generated through operating budget | 14,141 | 14,141 |
| **Total** | **13,462,401** | **12,959,225** |

The amount reported in the table regarding tangible capital assets represents the net book value of capital assets, that have been funded through past capital subsidy and contributions to capital from operating sources. The variance between this amount and the amount reported in note 13, i.e. $148.4 million (December 31, 2023 – $134.1 million) primarily represents the net book value of capital assets that have been internally funded by the TTC.

## 15. OPERATING SUBSIDIES

The sources of operating funding for the year ended December 31 are as follows:

| $000s | | | 2024 | 2023 |
|---|---:|---:|---:|---:|
| | Conventional | Wheel-Trans | Total | Total |
| - City of Toronto | 995,202 | 156,837 | 1,152,039 | 1,196,024 |
| - Provincial Gas Tax (note 16b) | 91,600 | - | 91,600 | 91,600 |
| - Ontario-Toronto New Deal Funding - Line 5 and Line 6 | 7,963 | - | 7,963 | - |
| **Total operating funding** | **1,094,765** | **156,837** | **1,251,602** | **1,287,624** |

As part of the City's annual budget process, $91.6 million (December 31, 2023 – $91.6 million) of the TTC's Conventional operating budget is ultimately sourced from the Provincial Gas Tax (see note 16b).

**Ontario-Toronto New Deal - Line 5 and Line 6**

In November 2023, the City of Toronto and Province of Ontario reached a New Deal agreement to help achieve long-term financial stability and sustainability for the City. As part of the agreement, annual operating funding of $330 million over three years beginning in 2024–2025 has been allocated to TTC for new subway-integrated provincial transit projects — the Eglinton Crosstown LRT and the Finch West LRT. For 2024, the TTC is expecting to recover $8.0 million as part of this New Deal funding agreement.

Total operating subsidies received and accrued in the financial statements from the City includes certain future non-recoverable amounts and excludes other adjustments related to City reserve draws/contributions as well as City special costs, as outlined in the following table:

Operating subsidies

| $000s | | | 2024 | 2023 |
|---|---:|---:|---:|---:|
| | Conventional | Wheel-Trans | Total | Total |
| Operating funding received through the City (see above) | 1,094,765 | 156,837 | 1,251,602 | 1,287,624 |
| City special costs | 1,327 | - | 1,327 | (4,377) |
| Future recoverable amounts (note 5) | | | | |
| Increase (Decrease) in accident claims | (5,554) | (20) | (5,574) | 2,901 |
| Increase in post-retirement benefit liabilities | 13,325 | 606 | 13,931 | 19,167 |
| | 1,103,863 | 157,423 | 1,261,286 | 1,305,315 |
| Net draws (contributions) to (note 19) | | | | |
| Long Term Liability Reserve Fund | 572 | 43 | 615 | (3,994) |
| New Deal - Subway/Transit Safety Reserve Fund | 100,000 | - | 100,000 | - |
| | 100,572 | 43 | 100,615 | (3,994) |
| Draw from City Development Application Review Reserve | 819 | - | 819 | 803 |
| **Total operating subsidies** | **1,205,254** | **157,466** | **1,362,720** | **1,302,124** |

City special costs represent subsidies reflected in the City's budget that are not included in the TTC's financial statements but relate to the TTC. They include costs associated with certain subsidized passengers, rents and taxes on commuter parking lots, and revenues and expenses associated with a property held by the City for the jurisdictional use of the TTC.

The future recoverable amounts reflect the delayed payment of operating subsidy for the non-cash portion of certain employee future benefits and accident claims (note 5).

For details related to the contributions to and draws from the reserve funds, see note 19, City of Toronto Reserves and Reserve Funds.

The City development application review reserve amount reflects recoveries for salaries, benefits and overhead costs incurred in relation to property development review applications.

## 16. CAPITAL SUBSIDIES

Capital subsidies for the year ended December 31 are as follows:

| $000s | 2024 | 2023 |
|---|---|---|
| Source of capital subsidies: | | |
| - City of Toronto | 852,331 | 820,054 |
| - Province of Ontario | 149,591 | 115,997 |
| - Federal Government of Canada | 263,481 | 287,556 |
| - Other | 6,729 | 4,476 |
| **Total capital subsidies** | **1,272,132** | **1,228,083** |

### a. City of Toronto

The City is responsible for ensuring full funding of the TTC's capital program. In accordance with the Municipal Act, any funding for the TTC's capital program from other governments flows through the City. As such, the TTC has claimed from the City a total 2024 capital subsidy of $ 1.265 billion (2023 – $1.224 billion). Amounts claimed from the City do not include a $24.2 million expenditure (December 31, 2023 – $3.7 million) for property purchased in the year and owned by the City, but for the jurisdictional use of the TTC.

The following disclosures regarding subsidy claims from the Provincial and Federal governments are based on the City's and the TTC's understanding of the various agreements and commitments.

***Toronto-York Spadina Extension Project***

The City acts as the bank for the Toronto-York Spadina Subway Extension ("TYSSE") project, 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 2024, $10.1 million (December 31, 2023 – $35.0 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. It is expected that 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 TTC 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.

### b. Province of Ontario

Capital subsidies claimed under the various provincial programs for the year ended December 31 are as follows:

| $000s | 2024 | 2023 |
|---|---|---|
| Source of capital subsidies: | | |
| - Provincial Gas Tax (PGT) | 86,623 | 88,461 |
| - Streetcar Program | 58,371 | 19,564 |
| - Investing in Canada Infrastructure Program (ICIP) | 4,597 | 6,171 |
| - LRV Car Project | - | 1,801 |
| **Total provincial capital subsidies** | **149,591** | **115,997** |

***Provincial Gas Tax (PGT)***

In October 2004, the Province introduced gas tax funding to municipalities for public transit. Commencing at 1¢/litre, the funding is based on a province-wide 70% ridership and 30% population allocation base, updated annually. The funding rate increased to 1.5¢/litre, effective October 2005, and then to 2¢/litre, effective October 2006. For 2024, the City directed $91.6 million (December 31, 2023 – $91.6 million) toward the TTC's operating needs (note 15) and $86.6 million (December 31, 2023 - $88.5 million) was used to support the acquisition of TTC Capital assets.

***Streetcar Program***

On May 12, 2021, the provincial government announced a $180 million contribution towards the total estimated cost of $568 million for the TTC Streetcar Program, which includes the procurement of 60 new streetcars and supporting infrastructure required at Hillcrest Facility. To date, provincial funding for the eligible expenditures incurred amounts to $98.5 milion, including $58.4 million in 2024 (December 31, 2023 - $19.6 million).

***Investing in Canada Infrastructure Program (ICIP)***

In a joint announcement with the Government of Canada and the City of Toronto in December 2022, the Province of Ontario confirmed its commitment to contribute up to $449.2 million towards the Bloor-Yonge Capacity Improvements project. The funding will flow through the Public Transit Infrastructure Stream of the Investing in Canada Infrastructure Program (ICIP). To date, provincial funding for the eligible expenditures incurred amounts to $12.7 milion and has been accrued, including $4.6 million in 2024 (December 31, 2023 - $6.2 million).

***LRV Car Project***

On June 19, 2009, the Province confirmed that it would provide one-third funding for the 204 LRV Car Project (up to $417 million) and this funding flows on the basis of contract milestone payments. A Transfer Payment Agreement between the Province, City of Toronto and the TTC was signed in January 2013. The LRV Program ended in 2023, with total eligible expenditures amounting to $1.35 billion, of which $351.4 million in provincial funding was recognized against the project.

**c. Federal Government of Canada**

Capital subsidies claimed under the various federal programs for the year ended December 31 are as follows:

| $000s | 2024 | 2023 |
|---|---|---|
| Source of capital subsidies: | | |
| - Canada Community-Based Fund (CCBF) | 176,593 | 181,706 |
| - Streetcar Program | 50,060 | 8,113 |
| - Investing in Canada Infrastructure Program (ICIP) | 5,078 | 6,816 |
| - Zero Emission Bus and charging Infrastructure (ZETF) | 31,750 | 90,921 |
| **Total federal capital subsidies** | **263,481** | **287,556** |

***Canada Community-Building Fund (Formerly 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". In 2008, the Federal government announced that gas tax funding had been made a permanent measure. In 2014, a new and permanent agreement for the 10-year period 2014-2023 was signed. As of June 2021, the Federal Gas Tax Fund has been renamed the Canada Community-Building Fund (CCBF) to better reflect the program's evolution over time and will not alter or modify the objectives or requirements of the program.

In June 2024, the Federal, Provincial and City of Toronto governments announced the signing of a new CCBF agreement for the period of 2024-2028, which will see the federal government invest $4.7 billion across Canada. Ontario's allocation of this funding to municipalities is based on population and the City of Toronto was allocated $176.6 million in 2024. In December 31, 2023, $181.7 million was allocated. The City of Toronto dedicates its full allocation to the TTC annually.

***Streetcar Program***

On May 12, 2021, the federal government announced that it would provide up to 43% of the total eligible costs, to a maximum contribution of $180 million, to the TTC Streetcar Program, which includes the procurement of 60 new streetcars and supporting infrastructure required at Hillcrest Facility. To date, federal funding for the eligible expenditures incurred amounts to $81.6 million, including an amount of $50.5 million in 2024 (December 31, 2023 - $8.1 million).

***Investing in Canada Infrastructure Program (ICIP)***

Under the ICIP, the federal government is investing more than $180 billion over 12 years in public transit projects, green infrastructure, social infrastructure, trade and transportation routes, and Canada's rural and northern communities. Through the Public Transit Infrastructure Stream of the ICIP, the Government of Canada announced an investment of up to $500 million for the Bloor-Yonge Capacity Improvements project in December 2022. This represents the Government of Canada's formal commitment to the funding first announced in August 2019. To date, federal funding for the eligible expenditures incurred amounts to $13.8 milion and $5.1 million has been accrued in 2024 (December 31, 2023 - $6.8 million).

***Zero Emission Transit Fund (ZETF)***

The ZETF program is a $2.75 billion federal fund led by Infrastructure Canada (INFC) to advance the federal government's commitment to help procure 5,000 zero emission buses. Under the program, the opportunity includes, federal funding up to 50% of eligible projects costs for the procurement of zero emissions buses and charging infrastructure, with a maximum contribution of $350 million and a project end date of March 31, 2026.

The TTC's approved project under the ZETF program is for 340 eBuses and 248 charge points to be delivered by March 31, 2026 with the federal government contributing up to $349 million toward the eligible project costs. To date, federal funding for the eligible expenditures incurred amounts to $122.8 million and $31.8 million have been accrued in 2024 (December 31, 2023 - $91.0 million).

**d. Other**

Other funding of $6.7 million (December 31, 2023 – $4.5 million) includes specific purpose third-party agreements.

## 17. EXPENSES BY OBJECT

Expenses by object for the year ended December 31 comprise the following:

| $000s | 2024 | 2023 |
|---|---|---|
| Wages, salaries and benefits | 1,832,107 | 1,661,752 |
| Materials, services and supplies | 428,686 | 410,305 |
| Vehicle fuel | 100,701 | 106,691 |
| Electric traction power | 44,695 | 44,553 |
| Utilities | 29,960 | 28,149 |
| Accident claims and insurance | 24,086 | 27,213 |
| Amortization (operating budget) | 26,296 | 23,074 |
| Amortization (assets funded through capital) | 750,867 | 746,325 |
| Wheel-Trans contract services | 67,355 | 54,515 |
| **Total expenses** | **3,304,753** | **3,102,577** |

## 18. BUDGET DATA

Budget data presented in these consolidated financial statements is based upon the 2024 operating and capital budgets approved by the TTC Board ("the Board"), the Board of the Toronto Coach Terminal Incorporated and Toronto City Council ("City Council"). The 2024 operating and capital budget was approved by the Board on December 20, 2023. The 2024 operating and capital budget were subsequently approved by City Council on February 14, 2024. Amendments to the operating and capital budget were approved by the Board and City Council June 20, 2024 and June 26, 2024 respectively. The Board of the Toronto Coach Terminal Inc. approved the 2024 budget on June 20, 2024. Adjustments are required to provide comparative budget values for the year-end actual results based on an accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

| $000s | Conventional | Wheel-Trans | Other | **Total** |
|---|---|---|---|---|
| Total operating & subsidy revenues, per approved current year budget | 3,766,029 | 163,567 | 302 | 3,929,898 |
| Other recoverable revenues | 58,699 | 891 | - | 59,590 |
| **Total budgeted revenues per consolidated FS** | **3,824,728** | **164,458** | **302** | **3,989,488** |

| $000s | Conventional | Wheel-Trans | Other | **Total** |
|---|---|---|---|---|
| Total expenses, per approved current year budget | 2,405,437 | 163,567 | 2 | 2,569,006 |
| Other recoverable expenses | 58,699 | 891 | - | 59,590 |
| Amortization of previously subsidized assets | 734,780 | 16,068 | | 750,848 |
| **Total budgeted expenses per consolidated FS** | **3,198,916** | **180,526** | **2** | **3,379,444** |

Other recoverable revenues and expenses are certain non-cash employee benefits and accident claim costs that will be funded in future years (see note 5). In accordance with PS 3400, certain revenues and expenses are required to be presented on a gross basis. Other recoverable revenues and expenses includes an adjustment to present items that were previously recognized as a cost recovery to comply with the newly implemented accounting standards.

## 19. 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. Included in these Reserves and Reserve Funds are amounts which the City has received from the Province, which are earmarked for TTC projects. Contributions to and draws from these Reserves and Reserve Funds are made by the TTC, or the City, upon approval by City Council. In order for the TTC to draw on these Reserves and Reserve Funds, they are required to incur the related expenditures. In 2024, the average interest rate applicable to Reserve Funds was approximately 1.0% (December 31, 2023 – 2.0%).

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

**Reserves and Reserve Funds originating from TTC operating surpluses or operating subsidies**

| $000s | Stabilization Reserve | Land Acquisition | Long Term Liability | New Deal Subway/Transit | **2024 Total** | **2023 Total** |
|---|---|---|---|---|---|---|
| Balance, beginning of the year | 99,908 | 103 | 48,328 | - | 148,339 | 143,491 |
| Funding received through Province | - | - | - | 300,000 | 300,000 | - |
| Net (draws)/contributions | - | (27) | (615) | (100,000) | (100,642) | 3,994 |
| Interest earned | - | 1 | 479 | - | 480 | 854 |
| **Balance, end of the year** | **99,908** | **77** | **48,192** | **200,000** | **348,177** | **148,339** |

***Stabilization Reserve***

The Stabilization Reserve was created to stabilize the funding of TTC'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. In 2024 and 2023, no amounts were withdrawn for this purpose.

In 2024 and 2023, no contributions were made.

***Land Acquisition Reserve Fund***

The Land Acquisition Reserve Fund was created to fund future land acquisitions by the City for the TTC's use. In 2024, an amount of $27 thousand will be withdrawn from this reserve. In 2023, no amounts were withdrawn for this purpose.

In 2024 and 2023, no contributions were made.

***Long Term Liability Reserve Fund***

The Long Term Liability Reserve Fund was created in 2014 to provide support for the TTC's long-term liability for unsettled accident claims.

Through the approved budget in 2024, City Council authorized a contribution of up to $17.6 million (December 31, 2023 – $20.6 million) and a draw up to $20.6 million, to support actual accident claim payments at the time of the settlement. An amount of $17.6 million was contributed and $18.2 million withdrawn, resulting in a net draw of $0.6 million (December 31, 2023 – net contribution of $4.0 million).

***New Deal Subway/Transit Safety Reserve Fund***

The New Deal Subway/Transit Safety Reserve Fund was created in 2024 to provide support for the TTC's subways and transit safety, recovery and sustainability that includes commitments related to increased police or safety officer presence on and near transit, continued expansion of transit rider cellular and data services across the TTC network and enhanced emergency reporting options and response timelines for riders. The Province contributed $300.0 million in one-time funding to be used over three years.

In 2024, $100.0 million was withdrawn from this reserve.

**Reserve Funds for transit capital funding originating through the Province of Ontario**

| $000s | PGT | CSIF | Quickwins | 2024 Total | 2023 Total |
|---|---|---|---|---|---|
| Balance, beginning of the year | 450 | 794 | 1,929 | 3,173 | 3,107 |
| Provincial contributions | 185,576 | - | - | 185,576 | 180,061 |
| Draws | (185,576) | - | - | (185,576) | (180,061) |
| Interest earned | 117 | 8 | 19 | 144 | 66 |
| **Balance, end of the year** | **567** | **802** | **1,948** | **3,317** | **3,173** |

***PGT***

Of the $185.6 million (2023 – $180.1 million) in Provincial Gas Tax available, the City has directed $91.6 million for 2024 (2023 – $91.6 million) toward the TTC's operating needs (note 15). The balance of $94.0 million (2023 – $88.5 million) was used to support the acquisition of TTC Capital assets. There is an amount of $0.6 million remaining in the reserve fund (December 31, 2023 - $0.5 million).

***Canada Strategic Infrastructure Reserve Fund (CSIF)***

$303.3 million was received from the CSIF program to fund the TTC's strategic capital projects. Over the life of the program, this amount along with interest earned has been applied to various projects. In 2024, there were no funds withdrawn from this reserve fund (note 16) and $nil was withdrawn in 2023. There is an amount of $0.8 million remaining in the reserve fund which relates to unused accumulated interest.

***MoveOntario 2020 Reserve Fund (Quickwins)***

Provincial payments totaling $452.5 million were received in March 2008 in support of the Metrolinx approved Quick Wins projects. Of the total payment received, plus accumulated interest of $24.25 million (2023 - $24.23 million), $474.8 million has been applied to accumulated funding recognized by the TTC to date for capital expenditures, no funding was applied in 2024 (note 15) and $nil million was drawn from the reserve fund in 2023. There is an amount of $1.95 million remaining in the reserve fund.

## 20. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL RIGHTS

**a.** In the normal course of its operations, labour relations and completion of capital projects, the TTC 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. Amounts recorded in the accounts have not been disclosed in the consolidated financial statements as disclosure may adversely impact the outcome. Management's estimate is based on an analysis of specific claims and historical experience with similar claims.

**b.** The TTC has contracts for the construction and implementation of various capital projects. As at December 31, 2024, these contractual commitments total approximately $496.6 million (December 31, 2023 – $593.0 million) for significant programs such as, but not limited to, Bus Hoists, Easier Access III, e-Bus Charging System, Station Finish Renewal, Vision-CAD/AVL System, Faregates, Warden Station Redevelopment, Islington Station Redevelopment, and Hillcrest Maintenance and Storage Facility.

**c.** In April 2009, the Board approved the design and supply of 204 low floor light rail vehicles (LFLRV). In June 2009, the contract was awarded to Bombardier Transportation Canada Inc. In March 2021, and May 2021, an additional 60 LRVS were added to the contract bringing the total delivery requirement to 264 vehicles. As of December 31, 2024, the contract value is in total $1,703.8 million with 239 LRV's delivered to the TTC, costs incurred to date total $1,539.9 million, and the outstanding commitment is $163.9 million.

**d.** In May 2021, Creative Carriage was awarded a contract for the purchase of 110 low floor Wheel-Trans buses. In March 2022, and June 2022, an additional 50 low floor Wheel-Trans buses were added to the contract. In July 2023, a further award of 52 low floor Wheel-Trans buses were added and in August 2024, 10 low floor Wheel-Trans buses were added increasing the total requirement to 222 low floor Wheel-Trans buses. As of December 31, 2024, the contract value is $59.0 million with 184 buses delivered to the TTC. Costs incurred to date are $49.5 million and the outstanding commitment is $9.5 million.

**e.** In October 2020, the Board approved approximately 300 Hybrid Electric buses and in February 2022, contracts were awarded to Nova Bus Inc. and New Flyer Industries for a total of 336 buses. As of December 31, 2024, the contract values total $420.2 million with 336 deliveries to the TTC. Costs incurred to date are $413.0 million, and the outstanding commitment is $7.2 million.

**f.** In January 2023, TTC entered into 2 contracts for the supply of long-range Battery Electric buses, New Flyer Industries was awarded 186 buses and Nova Bus Inc. 124 buses. In July 2023, 30 buses in total were added to the contracts increasing the delivery requirement to 340 Battery Electric buses. As of December 31, 2024, the contract values total $618.3 with 40 deliveries to the TTC. Costs incurred to date are $151.8 million, and the outstanding commitment is $466.5 million.

**g.** The TTC could be exposed to significant or material contractual cancellation penalties if any of its commenced capital projects do not continue as planned.

**h.** The TTC entered into a revolving credit facility agreement with a Canadian chartered bank. Under this agreement, the TTC has issued a standby letter of credit to be used to support its bus electrification project in the amount of $1.2 million (2023 - $1.2 million). The amount drawn of this letter of credit as at December 31, 2024 was $nil (2023 - $nil).

**i.** In consideration for services associated with the PRESTO fare payment system, TTC is obligated to pay a commission fee equivalent to 5.25%, inclusive of HST, of the gross receipts of passenger revenue received through the PRESTO system until 2027.

**j.** The TTC leases certain premises and equipment under operating lease agreements. The approximate future minimum annual lease payments are as follows:

| | $000s |
|---|---|
| 2025 | 17,125 |
| 2026 | 12,475 |
| 2027 | 11,648 |
| 2028 | 8,347 |
| 2029 | 5,966 |
| Thereafter | 64,674 |
| **Total** | **120,235** |

**k.** In 2022, the TTC extended its vehicle and station advertising agreement with Pattison to December 31, 2033. Over the remaining term of the agreement the minimum guaranteed annual fee payable to the TTC is expected to be at least $326.6 million, based on assumed ridership between 80-100% of pre-pandemic levels. The actual annual amounts payable over the term of the agreement may differ based on the TTC's actual ridership levels and other factors.

**l.** In 2023, TTC entered into the Eglinton Crosstown LRT (Line 5) Train Operating and Funding Agreement (TOFA) with the City and Metrolinx. The agreement specifies the TTC's/ City's obligations for the operations and non-lifecycle maintenance expenses of Line 5. The estimated non-lifecycle maintenance costs payable to Metrolinx over the effective contract duration of 10 years is expected to be $376.9 million. The actual annual payable amounts over the term of the agreement may fluctuate based on inflation, service level in effect for the period, and other factors in accordance with the agreement. The non-lifecycle maintenance costs amount will be payable upon service commencement of Line 5, which is pending as of financial statement date.

**m.** In 2024, TTC entered into the Finch West LRT (Line 6) Train Operating and Servicing Agreement (TOSA) with the City and Metrolinx. The agreement specifies the TTC's/ City's obligations for the operations and non-lifecycle maintenance expenses of Line 6. The estimated non-lifecycle maintenance costs payable to Metrolinx over the effective contract duration of 10 years is expected to be $160.1 million. The actual annual payable amounts over the term of the agreement may fluctuate based on inflation, service level in effect for the period, and other factors in accordance with the agreement. The non-lifecycle maintenance costs amount will be payable upon service commencement of Line 6, which is pending as of financial statement date.