

MEETING DATE: October 31, 2001

SUBJECT: Chief General Manager's Report Period 8 August 5 To September 1, 2001

RECOMMENDATION

It is recommended that the Commission:

1. receive for information the attached Executive Summary of the Chief General Manager's (CGM's) report covering the period August 5 to September 1, 2001, noting that:
 - 2001 TTC Operating Budget

As at September 1, the 2001 TTC Operating Budget was expected to be balanced, representing a \$1 million improvement from the Period 7 CGM's report.

As reported to the City's Policy & Finance Committee meeting of September 20, 2001, the 2001 conventional system operating budget approved by City Council earlier this year left the Commission with an \$11 million shortfall. Rather than approve a draw from the Riders Reserve to balance the 2001 budget, Council requested the Commission to monitor ridership over the course of the year and to request a draw from the reserve, if required to balance the budget. Strong ridership growth to the end of August was expected to fully offset the \$11 million shortfall and consequently, no draw from the Riders Reserve was contemplated.

However, the slowing economy coupled with the tragic events of September 11 and the resultant world-wide security concerns are having an impact on TTC ridership. In particular, ridership for the first week of October fell 237,000 rides below last year and 305,000 rides below budget for that week. If that trend were to continue for the balance of the year, ridership is forecasted to be 418 million rather than the 422 million projected as at September 1. At the 418 million level, passenger revenues would be \$634 million rather than the \$640 million shown in this report. By far, the biggest drop in ridership has occurred amongst the cash-paying riders which suggests a significant drop in discretionary trips: consistent with a downturn in the economy and security concerns.

Should the ridership decline only amount to be one-half of that experienced in the first week of October, the resultant passenger revenue drop would be \$3 million.

We will closely monitor the situation and, at year-end, request a draw from the Riders Reserve necessary to offset this unexpected downturn in ridership.

- 2001 Wheel-Trans Operating Budget

The current projected year-end unaccommodated rate for Wheel-Trans is 3.5% but there is no projected budget shortfall.

- 2001 – 2005 Capital Program

The 2001 year-end cash flow is currently projected to be under budget by approximately \$12.4 million; and

1. forward a copy of this cover report and the Executive Summary to each City Councillor for information (noting that the detailed CGM's report is available on request from the Office of the General Secretary of the Commission).

DISCUSSION

1. 2001 TTC Operating Budget

Year-to-Date

Ridership up to and including September 1 was 7.4 million rides (2.7%) over the amended budget. Furthermore, despite the June fare increase, ridership in August was 0.4 million rides ahead of last year. Passenger revenue for the year up to September 1 was consequently over the amended budget, by \$12.5 million (3.1%). Meanwhile, expenses were some \$2.7 million (0.5%) under budget for the year up to September 1.

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Year-end Projections

The following table summarizes the year-end projections as at September 1:

| | 2001 | | |
|------------|---------|------------|--------|
| (Millions) | BUDGET | PROJECTION | CHANGE |
| RIDERSHIP | 413 | 422 | 9 |
| REVENUES | \$655 | \$672 | \$17 |
| EXPENSES | \$(814) | \$(820) | \$ (6) |
| SUBSIDY | \$148 | \$148 | \$ 0 |
| SHORTFALL | \$(11) | \$0 | \$11 |

Based on information and forecasts available prior to September 1, the 2001 TTC Operating Budget was considered to be balanced.

However, as noted in Recommendation (1) of this report, if recent ridership trends continue throughout the remainder of the year, a Riders Reserve draw ranging from \$3 to \$6 million will be required to offset unanticipated ridership declines.

2) 2001 Wheel-Trans Operating Budget

Although the unaccommodated rate for period 8 was 6.1%, demand has softened since September 11 and the year-end unaccommodated rate is now expected to be under 4%.

Expenditures are now expected to be on budget by year-end. Savings have been achieved or planned, to offset the estimated financial impact of staff unionization.

(3) 2001 - 2005 Capital Program

The current projection is that the year-end cash flow for 2001 will be some \$12.4 million less than the budgeted cash flow. This potential under-expenditure is mainly due to further slippages or deferrals on various projects into 2002 (page A6).

19-Oct-01

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Attachment: CGM's Report