

MEETING DATE: JUNE 12, 2002

SUBJECT: Chief General Manager's Report Period 4 April 7 To May 4, 2002

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 April 7 to May 4, 2002 noting that:
 - 2002 TTC Operating Budget

the current projected shortfall is about \$32 million (comprised of a \$14 million budget shortfall resulting from an approved City of Toronto TTC Operating subsidy of \$152.2 million, \$9 million less in passenger revenue due to a projected ridership shortfall of 6 million, a \$12.4 million increased wage cost resulting from the recently negotiated collective agreements, and reduced expenditure projections of about \$3 million); and that, in order to deal with the shortfall, the City's Budget Advisory Committee is recommending that City Council approve the drawing of the entire \$23.8 million from the Rider's Reserve and that the balance be covered through a corresponding reduction in the TTC's Operating Budget contribution to its Capital Program;

- 2002 Wheel-Trans Operating Budget

that the current projected budget shortfall is \$475,000 due to the wages component of the recently negotiated collective bargaining agreements; it is expected that, unless savings materialize during the course of the year to offset this, the unaccommodated rate will average about 4% for 2002;

- 2002-2006 Capital Program

that the 2002 year-end cash flow is now projected to be \$17.8 million under budget; 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).

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DISCUSSION

1. 2002 TTC Operating Budget

Year-to-Date

As indicated in previous reports this year, ridership for 2002 has continued to fall below expectations. Ridership in period 4 was 1.7 million (4.9%) below last year. For the 2002 year-to-date, ridership was 4.5 million (3.1%) under last year and 3.1 million (2.2%) under budget, with the corresponding passenger revenue \$4.2 million (1.9%) under budget. Expenses for the year-to-date were on budget.

Year-end Projections

The following table summarizes the year-end projections and budget variances:

	2002		
(Millions)	BUDGET	PROJECTION	CHANGE
RIDERSHIP	418	412	(6)
REVENUES	\$685	\$676	(\$9)
EXPENSES	\$(851)	\$(860)	\$(9)
SUBSIDY	\$152	\$152	\$0
SHORTFALL	\$(14)	\$(32)	(\$18)

The current year-end ridership projection remains at 412 million, 6 million rides (1.4%) below the budget of 418 million. The current ridership results available to date (as of May 23) show that ridership is 2.3% below budget and 3.2% below last year's level. When the resulting passenger revenue shortfall of approximately \$9 million is coupled with the original budget shortfall of about \$14 million, the \$12.4 million wage impact of the recently negotiated collective agreements, and expenditure reductions of about \$3 million (primarily reflecting a higher transfer of previously expensed material back into

inventory, settlements from suppliers, and insurance claim recoveries), a shortfall of about \$32 million is anticipated.

As noted in the "Confirmation of Approval – Catastrophe Liability and Property Insurance Renewals – June 1, 2002" report on the agenda for this Commission meeting, the premiums for these insurance policy renewals will result in a \$1 million overexpenditure in 2002. This impact has been incorporated into the figures above.

In addition, it should be noted that the deregulation of the hydro market is not expected to cause any budget variance in 2002. Despite the 22% increase (effective May 1) in the commodity price for electricity under the power purchase agreement that the TTC and City negotiated with Toronto Hydro Energy Services Inc. earlier this month, the provision for rate increases included in the 2002 Operating Budget is sufficient to cover the increased costs.

To resolve the budget shortfall, the City's Budget Advisory Committee is recommending that City Council approve the use of the entire \$23.8 million in the Rider's Reserve and that the balance of the shortfall be offset by an equivalent reduction in the TTC's Operating Budget contribution to its Capital Program expenditures. Staff continue to await a decision from City Council and will report on the resulting impact on this projected Operating Budget shortfall in a future report.

(2) 2002 Wheel-Trans Operating Budget

The unaccommodated rate for period 4 was 2.4% and 2.6% for the year-to-date, both in comparison to a budget of 2%. Expenditures were projected to be on budget for the year, prior to an estimated wages increase of \$475,000 resulting from the collective agreements recently negotiated. As noted earlier, unless savings are found during the course of the year to offset this overexpenditure, it is anticipated that the unaccommodated rate will average about 4% for 2002.

(3) 2002 - 2006 Capital Program

The year-end cash flow is currently projected to be \$17.8 million less than budgeted. This primarily relates to the deferral of the SRT cars purchase (\$15 million), due to the improbability of establishing a satisfactory contract in 2002. In addition, some project work will be deferred to 2003, partially offset by the slippage of some expenditures from 2001. Page A6 provides details on the projected year-end expenditures for each of the TTC's capital projects. These projected expenditures are based on the latest information available and may not match the supporting Project Status Reports (Section E), which were based on the period 3 results. It is anticipated that further slippage may occur by

year-end, due to unforeseen circumstances. Staff will continue to review project expenditures on a period basis and provide updates through this report.

4-Jun-02

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Attachment: CGM's Report