MEETING DATE: JULY 16, 2003

SUBJECT: Chief General Manager's Report Period 5 May 4 To May 31, 2003

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 May 4 to May 31, 2003 noting that:

- 2003 TTC Operating Budget

it is now anticipated that ridership by year-end will be some 6 million rides under budget, due to the impact of the Severe Acute Respiratory Syndrome (SARS) outbreak in the Toronto area; total revenues are expected to be $11 million under budget, with the shortfall offset by a reduction in the Contribution to Capital;

- 2003 Wheel-Trans Operating Budget

whilst no budget variance is currently anticipated, the impact of the 20% increase in taxi rates, the SARS outbreak and other factors will translate into a 3.5% unaccommodated rate for the year, in comparison to the 2% budgeted;

- 2003-2007 Capital Program

the year-end cash flow is projected to be $18.7 million less than budgeted; 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. **2003 TTC Operating Budget**

Year-to-Date

Ridership in period 5 was 544,000 (1.7%) under last year and 305,000 (1.0%) under budget, mainly due to the SARS outbreak in the GTA. For the year-to-date to May 31 (the end of period 5), ridership was 2.1 million (1.2%) under last year and 1.8 million (1.1%) under budget. Virtually all of the reduction has been during the SARS period, as indicated:

	Total Ridership	**Variance to Budget**	
	'000's	Rides	%
Pre-SARS (01JAN-22MAR)	91,381	(23)	(0.0)
SARS (23MAR-21JUN)	100,833	**(2,443)**	**(2.4)**
Total year-to-date (to 21JUN)	192,214	(2,466)	(1.3)

Revenue for the year-to-date to May 31 was a corresponding $2.7 million (0.9%) under budget, while expenses were $0.4 million (0.1%) over budget.

Year-end Projections

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

	2003		
(Millions)	**BUDGET**	**PROJECTION**	**CHANGE**
RIDERSHIP	412	406	(6)
REVENUES	$710	$699	$(11)
EXPENSES	$909	$898	$(11)
SUBSIDY	$182	$182	-
SHORTFALL	$17	$17	-

As shown above, results to June 21 indicated that ridership has dropped by approximately 2.4 million rides, during the SARS period. This ridership loss equated to about $3.9 million in lost passenger revenues. However, by year-end, it is anticipated that ridership will be some 6 million rides under budget, with passenger revenue correspondingly under budget by $9.6 million. This unfavourable variance will be offset by a matching reduction in the contribution to the Capital Program from the Operating Budget (Capital from current). Staff will continue to monitor the impact of SARS throughout the year and will report accordingly.

(2) <u>2003 Wheel-Trans Operating Budget</u>

A combination of severe winter weather and the SARS outbreak has resulted in lower than anticipated demand for Wheel-Trans service in 2003. Requests for Wheel-Trans service continue below budgeted levels, with a year-to-date demand reduction (end of period 5) of approximately 46,000 trips. The daily uncertainty associated with SARS combined with a relatively high trip cancellation rate, and traffic congestion has also resulted in lower vehicle productivity and a slightly unaccommodated rate (2.8% versus 2%). Wheel-Trans staff continue to adjust service levels in keeping with the overall trip demand reduction.

Unanticipated expenses such as the City approved sedan taxi meter rate increase and escalating accident claim costs have necessitated an overall review of expenses for the balance of 2003. The level of further savings available and the trip demand for the second half of the year has now been estimated. Although trip demand uncertainties remain, staff are currently projecting a balanced budget by year end achieved in part through savings in the areas of lower property assessment values, gapping and workforce changes, as well as operating at a 4% (year end rate of 3.5%) unaccommodated rate for the balance of the year.

Staff will continue monitoring service demand and where appropriate adjust service to meet both budget availability and customer mobility requirements. In this way, the direct customer impact will be minimized over the balance of the year.

(3) <u>2003 - 2007 Capital Program</u>

The current projection for the year-end cash flow is $18.7 million less than budgeted. This projected under-expenditure is primarily due to the slippage in the contract award for the SRT cars.

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7-Jul-03

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Attachment: CGM's Report