

# Chief General Manager's Report Period 4 April 6 To May 3, 2008

Meeting Date: June 18, 2008

Subject: Chief General Manager's Report Period 4 April 6 To May 3, 2008

## **Recommendation**

It is recommended that the Commission forward a copy of this report to each City of Toronto Councillor for information noting that the detailed CGM's Report is available upon request from the Office of the General Secretary of the Commission.

## **Discussion**

The purpose of the Chief General Manager's Report is to provide the Commission with information about the activities of the Toronto Transit Commission over the course of the year.

This document reports on the TTC's 2008 budgets that were approved by City Council as follows:

Budget / Approval Date

- TTC Operating March 31, 2008
- Capital Program December 11, 2007
- Wheel-Trans Operating March 31, 2008

## **Ridership Results**

Ridership to May 3 was 1,295,000 (-0.8%) below budget and 2,373,000 (-1.5%) below the same period in 2007. These results largely reflect the impact of the April strike and, to a lesser extent, the effects of the continuation of the Metropass trip rate reduction (which was initiated in July 2007) and the November 2007 fare increase. Restating the 2007 results to reflect the impact of the Metropass trip rate adjustment in 2008, indicates that ridership for the first four periods of the year is approximately 1.8 million higher than 2007 on a fully comparable basis.

Based on the ridership results to the end of Period 4, and moderate growth anticipated for the balance of the year, the forecast for year-end ridership remains on target with the budget of 464 million rides.

## **Financial Results**

## 2008 TTC Operating Budget

Appendix A represents the TTC's Income Statement and provides information on Revenues, Expenses and Subsidies. The statement includes the Commission's approved subsidy of \$282.6 million which reflects a reduction of approximately \$2.8 million made by the City during its review of the proposed budget. It should be noted, however, that this approved subsidy level will be adjusted to incorporate the City's allowance for the 2008 impact of the April 2008 collective bargaining agreements once they have been finalized.

The following table provides a summary of year-end projections for ridership, expenses, revenues and subsidy requirements. It should be noted that the year-end projections remain unchanged from the last report.

<b>2008</b>				Note: Expenses and Subsidy Available are excluding the impact of the collective agreements currently under arbitration.
<b>Millions</b>	<b>Budget</b>	<b>Projection</b>	<b>Change</b>	
Ridership	464	464	-	Year-end expenses are currently projected to be about 0.8% (\$8.8 million) over budget. This is largely due to the following:
Revenues	(\$876.1)	(\$872.1)	(4.0)	
Expenses	\$1,163.5	\$1,154.7	\$8.8	
Subsidy Required	\$287.4	\$282.6	\$4.8	
Subsidy Available	\$282.6	\$282.6	-	
Shortfall	\$4.8	-	\$4.8	

million) over budget. This is largely due to the following:

1. the \$2.8 million budget cut from the City,
2. \$2 million in increased snow removal requirements (including overtime work and additional mainline storage and late-ins),
3. \$1.3 million in increased absence costs, and
4. \$1.1 million for the unplanned safety critical Orion V rear axle bolt replacement program.

In addition, the following two unbudgeted items will impact year-end expenses:

1. \$300K for 6 additional Route Supervisors required to address current service level and schedule adherence issues on the 501 Queen streetcar route and

2. \$800K for additional structural/collision repair work on the bus fleet to address a shortage of vehicles available for service resulting from the late delivery of new buses.

Passenger revenues are currently projected to be virtually on budget (\$0.5 million over) by year-end. This is due to an estimated \$3.8 million revenue loss associated with the April strike and pass refunds, about \$2.3 million in additional revenue due to ridership results from economic activity, and an adjustment related to deferred revenue for old tickets. In addition, advertising revenues are expected to exceed budget by about \$1 million and other revenues are projected to be \$2.5 million better than budget due to the assessment of liquidated damages on a current vehicle procurement contract.

Overall, a shortfall of \$4.8 million is currently projected at year-end. Essentially, this shortfall can be attributed to two key items: (1) the \$2 million net loss associated with the strike and (2) the City's \$2.8 million budget reduction. Staff will continue to closely monitor ridership, revenues and expenses in an effort to balance the budget by year end.

### **Service Related Results**

For the first four months of 2008, the subway and the SRT mainly performed as expected. Overall, service performance levels for the Yonge-University-Spadina Line were on target while the Bloor-Danforth Line has performed below target mainly due to the lack of available Operators as a result of Employment Standards Act work hour limits and/or higher than anticipated absenteeism. The performance of bus routes continued to be adversely impacted by major construction projects. Performance on streetcar routes continued to be hindered by vehicular congestion and parking. A number of solutions have been implemented to address this, particularly on the 501 Queen Street route and will be reported at the October Commission meeting

### **Customer Satisfaction Results**

During the first four months of 2008, complaints increased by approximately 27% while compliments declined by about 2%. The biggest increase in complaints related to the strike in April. In addition, continuing negative feedback regarding surface delays is consistent with the current overcrowding conditions on surface vehicles and the worsening traffic congestion conditions prevalent in the city.

2008 TTC Capital Program Budget

Appendix B contains a table that shows actual 2008 expenditures based on results available to Period 4 and year-end projections for the TTC's capital projects. City Council approved an overall budget of \$692.5 million for the base capital program on December 11, 2007. Current projected 2008 expenditures for the base program are \$800.5 million, representing an over expenditure of \$108.0 million. A carry forward adjustment of approximately \$168 million is proposed by City staff, to address contract delay impacts from 2007 which have resulted in the deferral of approved expenditures to 2008. If approved by City Council, this would result in a net 2008 under variance of \$60.0 million for the

base capital program.

The primary drivers of this \$108.0 million variance are outlined in the table below and details of all major variances are provided in a summary provided in Appendix B. A carry forward adjustment of approximately \$168 million is proposed by City staff, to address contract delay impacts from 2007 which have resulted in the deferral of approved expenditures to 2008. If approved by City Council, this would result in a net 2008 under variance of \$60.0 million for the base capital program.

## 2008

Millions	Budget	Projection	Change
Total capital	\$800.5	\$692.5	\$108.0
Bus Order	272.4	148.4	124.0
Wheel-Trans Buses	0.1	17.6	(17.5)
Other projects	528.0	526.5	1.5

**Bus Order** – late delivery of 161 hybrid buses contractually scheduled for delivery in 2007.

**Wheel-Trans Buses** – delivery of buses expected to slip into 2009.

Also, an under expenditure of \$40.5 million is projected on the Toronto York Spadina Subway Extension project based on the status of the current project activities. An over expenditure of \$8.2 million is now reflected for Transit City Projects, based on current projections of project work as approved by the Commission on April 23, 2008.

Contribution Agreements have recently been signed for funding under the Canada Strategic Infrastructure Fund (CSIF) and the Transit-Secure programs and staff is following up on Federal claim requirements. The recent announcements in the Provincial budget of March 25 have resulted in additional funding commitments including subway capacity projects, bike racks and Transit City Plan work. This has resulted in a reduction of the five-year funding shortfall of \$1.503 billion to \$1.085 billion. Further commitments are required in the coming months in order to proceed with the LRV and SRT rail car fleet replacements and are being pursued with the Federal and Provincial governments.

## 2008 Wheel-Trans Operating Budget

Appendix C shows the Wheel-Trans Income Statement and reflects the \$70.120 million subsidy level approved by City Council. Staff are currently monitoring a City report regarding proposed taxicab fare increases and will report on the associated financial impact to Wheel-Trans if it is approved.

June 9, 2008

42-47

Attachments: Appendices A, B and C