

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: APRIL 3, 2009

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIOD 12
NOVEMBER 30 TO DECEMBER 31, 2008

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

1. approve the offsetting of the \$0.069 million subsidy shortfall for the 2008 TTC Operating Budget with the \$0.424 million subsidy surplus for the 2008 Wheel-Trans Operating Budget, for a net subsidy surplus of \$0.355 million, and request the City of Toronto to add this surplus to the TTC Stabilization Reserve Fund for future use; and
2. 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 (CGM's) Report is to provide the Commission with information about the activities of the Toronto Transit Commission over the course of the year. Consistent with past practice, the detailed CGM's Report is hereby presented for period 12 as a full account of activities for 2008. It should be noted that the revenue, expense and subsidy amounts shown for 2008 are preliminary and are subject to audit. The final audited financial statements are scheduled to be presented to the TTC Audit Committee on April 20, 2009.

RIDERSHIP RESULTS

As reported in January of this year, 2008 ridership was 466.7 million, a new all-time record. The previous peak ridership record was set in 1988 when ridership was 463.5 million.

FINANCIAL RESULTS

2008 TTC OPERATING BUDGET

Appendix A represents the TTC's Income Statement and provides information on Revenues, Expenses and Subsidies.

The following table provides a summary of year-end results for ridership, expenses, revenues and subsidy requirements.

(Millions)	2008		
	ACTUAL	BUDGET	CHANGE
RIDERSHIP	466.7	464	2.7
EXPENSES	\$1,194.6	\$1,175.3	\$19.3
REVENUES	(\$891.4)	(\$872.2)	(\$19.2)
SUBSIDY REQUIRED	\$303.2	\$303.1	\$0.1
SUBSIDY AVAILABLE	\$303.1	\$303.1	-
SHORTFALL	\$0.1	-	\$0.1

Year-end **expenses** were approximately 1.6% (\$19.3 million) over budget. This is primarily as a result of the following:

- (1) \$20 million for increased accident claims expenses largely stemming from a reduction in the interest rate used to discount these liabilities to present value terms along with the impact of increased requirements for claims incurred but not as yet reported;
- (2) \$5.8 million for increased employee benefit expenses largely driven by higher absenteeism, an increase in days lost due to lost-time injuries and increased provisions for employee future benefit liabilities;
- (3) \$5 million for increased overtime requirements due to higher than anticipated workforce gapping and absence;
- (4) \$2.8 million in increased snow removal requirements (including associated overtime work and additional mainline storage and late-ins);

partially offset by:

- (5) \$4 million in higher than anticipated workforce gapping;
- (6) \$3.7 million in reduced utility costs largely due to more favourable natural gas rates;
- (7) \$3.6 million in reduced hydro costs mainly because of lower than anticipated hydro rates; and
- (8) \$3.0 million in lower taxes and licences expenses due to the reversal of prior years' property tax accruals for certain properties which, in late 2008, were determined to be exempt after the Municipal Property Assessment Corporation concluded its review of the relevant legislative provisions under the new City of Toronto Act, 2006.

Year-end revenues were \$19.2 million above budget largely due to:

- (1) \$9.7 million in higher passenger revenues due to almost 3 million additional rides, reduced counterfeiting from the elimination of the adult ticket, and an adjustment for deferred revenue for old tickets;
- (2) \$5 million in higher advertising revenues owing to increased sales activity towards the end of the year; and
- (3) \$4.5 million in other revenues primarily due to the assessment of liquidated damages on a current vehicle procurement contract (\$2.7 million), increased service level requested by and provided to York Region and Mississauga (\$0.8 million) and various other miscellaneous revenue increases (\$1 million).

Overall, the 2008 subsidy requirement marginally exceeded the budgeted level by approximately \$69K (\$0.1 million rounded) or 0.02%. The Wheel-Trans operating subsidy surplus (explained later in this report) is more than sufficient to accommodate this shortfall.

Service Related Results

In 2008, the **subway and the SRT** mainly performed as expected. Overall, service performance levels for the Yonge-University-Spadina and the Bloor-Danforth lines were only marginally below target. The performance of **bus routes** continued to be adversely impacted by major construction projects throughout the year, and particularly in November and December, by the shortage of vehicles and operators required for the Ridership Growth Strategy service increases. Vehicular congestion and parking continued to hinder **streetcar routes**. A number of solutions have been implemented to address the streetcar service, particularly on the 501 Queen Street route and they have resulted in favourable results with significant reductions in short turns.

Customer Satisfaction Results

Compared to 2007, the year 2008 saw complaints increase by approximately 11% while compliments declined by about 5%. The biggest increase in complaints related to the strike in April. In addition, continuing negative feedback regarding surface delays, vehicle operation and bypassing of patrons was consistent with some overcrowding conditions on surface vehicles and the deteriorating traffic congestion conditions prevalent in the city. Additionally, patrons provided more feedback regarding the TTC's website and its commuter parking lots.

2008 TTC CAPITAL PROGRAM BUDGET

Appendix B contains a table that shows actual 2008 expenditures (unaudited) 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. The year end 2008 expenditures for the base program were \$642.9 million, representing an under expenditure of \$49.6 million. A carry forward adjustment of \$168.5 million was approved by City Council on July 15, 16 and 17 to address contract delay impacts from 2007 which had resulted in the deferral of approved expenditures to 2008. The result is a net 2008 under variance of \$218.1 million for the base capital program.

The primary drivers of this \$(49.6) million variance are outlined in the table below and details of all major variances are provided in a summary provided in Appendix B.

(Millions)	2008		
	ACTUAL	BUDGET	CHANGE
TOTAL CAPITAL	\$642.9	\$692.5	\$(49.6)
BUS ORDER	246.8	148.5	98.3
PURCHASE OF STREETCARS	1.1	55.0	(53.9)
SURFACE TRACK	30.1	61.5	(31.4)
WHEEL-TRANS BUSES	0.2	17.6	(17.4)
OTHER PROJECTS	364.7	409.9	(45.2)

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

Purchase of Streetcars - Mainly reflects the deferral of the contract award for purchase of 204 Light Rail Vehicles now expected in April 2009, and refinement of new cash flows based on updated milestones.

Surface Track – Mainly due to deferral of St. Clair West and 2008 Tangent and Special Projects as a result of required City water main work and Hydro undergrounding.

Wheel-Trans Buses – Contract issued for delivery of buses in 2009.

Also, the Toronto York Spadina Subway Extension project was underspent by \$44.0 million and Transit City Projects overspent by \$1.5 million by year end. A carry forward adjustment of \$3.1 million had been approved by City Council to address contract delay impacts from 2007 which had resulted in the deferral of approved expenditures to 2008 for the Toronto York Spadina Subway Extension and Transit City Plan.

Contribution Agreements were signed in 2008 for funding under the Canada Strategic Infrastructure Fund (CSIF) and the Transit-Secure programs and staff is following up on Federal claim and audit requirements. The announcements in the March 2008 Provincial budget have resulted in additional funding commitments including subway capacity projects, bike racks and Transit City Plan work. Further commitments are anticipated in early 2009 from the 2009 Provincial Budget and through the Federal Economic Stimulus funding program; particularly with respect to our ability to proceed with the LRV cars and MoveOntario 2020 initiatives including the priority Transit City Lines and the SRT. The pursuit of funding packages is necessary to address the current projected five-year funding shortfall of approximately \$1.5 billion.

2008 WHEEL-TRANS OPERATING BUDGET

Appendix C shows the Wheel-Trans Income Statement and reports a 2008 operating subsidy requirement which is \$0.424 million (0.6%) under budget. These results largely reflect a reduction in the number of passenger trips carried by bus due to bus fleet constraints partially offset by increased passenger trips on contracted taxis, the impact of the taxicab fare increases approved by the City in 2008 and increased maintenance requirements for the aging bus fleet.

March 17, 2009
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Attachments: Appendices A, B and C
Detailed Chief General Manager's Report