

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** AUGUST 26, 2009

**SUBJECT:** CHIEF GENERAL MANAGER'S REPORT  
PERIOD 6  
MAY 31 TO JULY 4, 2009

## **ACTION ITEM**

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### **RECOMMENDATION**

It is recommended that the Commission forward a copy of this report to (1) each City of Toronto Councillor and (2) the City Deputy Manager and Chief Financial Officer, 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. This report also includes a summary of unbudgeted expenses as they are approved by the Commission.

### **RIDERSHIP RESULTS**

Ridership to the end of Period 6 (July 4) was almost exactly on budget and 6,500,000 (2.8%) above the comparable period in 2008. Year-to-date ridership variances, by period, are summarized below.

PERIOD	RIDERSHIP VARIANCE FROM BUDGET (Millions)
1	0.3
2	0.9
3	(0.5)
4	0.2
5	(0.1)
6	(0.7)
Year-to-date	0.1

Ridership was higher than budget in both January and February as the City of Toronto still had positive employment growth at the end of last year and at the beginning of 2009. During the first two months of this year, it is also likely that there was some level of modal shift from personal automobile to transit as the public became increasingly concerned about job security and began to look for ways to reduce expenditures. City of Toronto employment levels have declined every month since February. With the majority of mode switchers having been captured in January and February, the decline in employment levels reduced ridership below budgeted levels in March.

Ridership was slightly above budget in April primarily due to higher than forecast Metropass sales. The higher than expected sales were driven by two factors. A small decline in Metropass sales had been forecast to accompany the elimination of free parking at commuter parking lots. Sales did not decline, rather than leaving the TTC, patrons found a different way of getting to the stations whether that was walking, taking the bus or getting dropped off. The other reason is the impact the threat of a strike in April 2008 had on sales last year. Although a small amount was included in the 2009 budget estimate to take this into account, it appears that the effect was under-estimated and there was a strong recapture of pass riders in April 2009. Ridership was essentially on budget during May.

The significant decline in ridership (compared to budget) in June is primarily the result of the two following factors:

- Impact of Employment Losses - It would appear that the effect of job losses in the City of Toronto since the beginning of 2009 is now impacting ridership levels reflecting the lead-lag relationship between employment gain/(decline) and ridership growth/(loss). Employment continued to decline in June with job losses at 3%. The current consensus for employment for the remainder of the year is neutral to slightly negative. Even if there are no further job losses in Q3 and Q4, it will likely take a number of months before the impact is no longer felt.
- Impact of Inside/Outside City Workers Strike - Although the impact cannot be accurately quantified, it is most likely negative for a number of reasons.

Beyond the timeframe covered in this report, ridership during the first three weeks of July (Period 7) was 2.9% (800,000 rides) below budget. The City strike continued throughout July and the economic news and performance was not positive. Although two months (Period 6 and 7) would be indicative of a negative trend in ridership compared to budget, the City worker strike should be considered a "one-off" event and August ridership results need to be assessed before revising the year-end projection.

Based on year-to-date results and estimates of key factors for the remainder of the year, year-end ridership is forecast to fall within the range of 470 to 475 million rides, compared

to the budget of 473 million. For purposes of this report, no variance from the budgeted level has been assumed and the year-end ridership projection remains at 473 million. Ridership levels will continue to be closely monitored and updates will be included in future CGM Reports.

## FINANCIAL RESULTS

### 2009 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 projections for ridership, expenses, revenues and subsidy requirements.

(Millions)	2009		
	PROJECTION	BUDGET	CHANGE
RIDERSHIP	473	473	-
EXPENSES	\$1,301.9	\$1,298.4	\$3.5
REVENUES	(\$891.6)	(\$904.3)	(\$12.7)
SUBSIDY REQUIRED	\$410.3	\$394.1	\$16.2
SUBSIDY AVAILABLE	\$394.1	\$394.1	-
SHORTFALL	\$16.2	-	\$16.2

Passenger revenues are currently projected to be below budget due to a lower average fare which has materialized as a result of higher Adult pass sales and greater than anticipated usage of concession fares. To the end of the first half of the year, passenger revenues fell about \$5 million below budget for this reason. If the average fare continues to decline, this will result in further passenger revenue declines in the order of several more millions of dollars with a revenue loss of \$9 million or more for the year. In previous CGM Reports, a year-end passenger revenue shortfall of about \$6 million had been shown. Based on July 2009 actual experience, that year-end projection has been increased to a \$9 million unfavourable variance. Staff will continue to closely monitor these revenues.

In addition, Advertising revenues are expected to fall short of the budget by approximately \$2.3 million as a result of the current economic situation and its impact on advertising sales

activity. Commuter Parking revenues are projected to be about \$0.4 million below budget due to lower than anticipated utilization. Other income, largely consisting of interest income, is forecast to be about \$1 million under budget due to lower interest earnings on banked funds due to lower interest rates.

Year-end expenses are currently projected to be 0.3% (\$3.5 million) over budget largely due to unbudgeted emergency flood and mould remediation and restoration work required in the Inglis Building (\$1.4M); the requirement for more service resulting from City construction activities (\$2M); additional overtime requirements due to higher than anticipated gapping, service maintenance backlog and operating in severe winter conditions (\$3.1M); vehicle maintenance needs (\$4M); and other changes (\$1.5M). These increases have been significantly offset by lower hydro and natural gas rates and reduced water consumption (\$4.7M); other employee cost reductions primarily due to improved attendance and safety performance resulting from various initiatives currently underway (\$2M); and planned service reductions (\$1.8M).

It should be noted that the first actuarial valuation of accident claims costs for 2009, based on information available to the end of June (i.e. 2<sup>nd</sup> quarter), has been completed and is currently being reviewed by staff. Past experience has shown that the costs of adjudicating and settling accident claims continue to escalate. Future reports will address this issue. In the interim, no adjustment has been made to the year-end expenditure projections for this.

Overall, a \$16.2 million shortfall is currently projected by year-end. Staff will continue to closely monitor ridership, revenues and expenses in an effort to mitigate as much of this as possible by year-end.

The following table lists unbudgeted items which have been approved by the Commission and have been reflected in the projected year-end variances contained in this report.

UNBUDGETED ITEMS APPROVED TO DATE	AMOUNT \$Millions	COMMISSION APPROVAL
Commuter Parking Lots Security Plan	0.382	February 18, 2009
Inglis Building Emergency Flood and Remediation and Restoration Work	1.020	April 3, 2009
Consultant Services – Green Procurement	0.385	July 9, 2009

**Service Related Results**

For the first six periods of 2009, the **subway and the SRT** mainly performed as expected. Overall, service performance levels for the Bloor-Danforth Line exceeded target due to good incident management while the Yonge-University-Spadina Line performed marginally below target because of operator shortages. The performance of **bus routes** has improved over 2008 year-end results with better headway adherence and reductions in the number of run cancellations. The improvements have been maintained so far this year despite the adverse impact of the construction season. **Streetcar routes** showed similar improvements and, in particular, initiatives on the 501 Queen Street route continue to show favourable results with significant reductions in short turns.

**Customer Satisfaction Results**

Over the first half of this year, complaints increased by approximately 14% while compliments (predominantly for exceptional work by TTC employees) increased by about 9%, over the comparable period last year. The biggest increase in complaints related to surface delays which reflects some overcrowding conditions on surface vehicles and the deteriorating traffic conditions prevalent in the city.

**2009 TTC CAPITAL PROGRAM BUDGET**

Appendix B contains a table that shows actual 2009 expenditures based on results available to Period 6 and year-end projections for the TTC's capital projects. City Council approved an overall budget of \$774.5 million for the base capital program on December 10, 2008. Current projected 2009 expenditures for the base program are \$794.1 million, representing an over expenditure of \$19.6 million. A carry forward adjustment of \$79.2 million was requested from the City in May 2009 to address those contract delay impacts from 2008 that resulted in the deferral of approved expenditures to 2009. The result is a projected net 2009 under expenditure of \$59.6 million for the base capital program as shown in the table below.

(Millions)	2009		
	ACTUAL	BUDGET	VARIANCE
APPROVED BASE PROGRAM	\$794.1	\$774.5	\$19.6
CITY CARRY FORWARD REQUEST		79.2	(79.2)
TOTAL ADJUSTED BASE PROGRAM	794.1	853.7	(59.6)

An under expenditure of \$36.7 million is projected on the Toronto York Spadina Subway Extension project primarily related to deferred engineering work and property acquisition. An under expenditure of \$76.2 million is now reflected for Transit City Projects, based on current projections of project work to be completed, noting that uncertainty remains on project funding and eligibility issues.

Work continues on Federal programs for which Contribution Agreements were signed in 2008 including the Canada Strategic Infrastructure Fund (CSIF), the Transit-Secure and Building Canada Fund programs including amending agreements, audits and fulfillment of project requirements for reporting and claims. Announcements subsequent to the 2009 Provincial budget have resulted in additional funding commitments for expansion initiatives including the Finch West, Eglinton Cross-town and Sheppard East LRT lines as well as the SRT Conversion and Expansion project. Staff have continued to pursue further Provincial and Federal commitments towards long term funding assumptions. The Province has recently confirmed its commitment to fund the 1/3 share of the 204 LRV cars, while the Federal government has declined funding of these vehicles under the Infrastructure Stimulus Fund (ISF). A series of alternate projects have been submitted to the Federal government for consideration under the ISF program; however no funding commitments have yet been confirmed. No commitments have been received for the LRV facility (Provincial or Federal) or for the 126 subway car projects (Federal only). It had been anticipated that if these commitments had materialized and if the Province paid an additional 1/3 share of the LRV costs, the originally projected five-year funding shortfall of approximately \$1.5 billion would have been addressed.

The March 26, 2009 provincial budget also announced the introduction of an Ontario Harmonized Sales Tax (OHST) effective July 1, 2010 and staff are awaiting additional information (expected this fall) to assess the implications of the PST rebate on the capital projects.

### **2009 WHEEL-TRANS OPERATING BUDGET**

Appendix C shows the Wheel-Trans Income Statement and reflects the \$76.341 million subsidy level approved by City Council. At this time, there are no significant budget variances projected for year-end.

August 11, 2009

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Attachments: Appendices A, B and C