

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: DECEMBER 16, 2009

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIODS 9 & 10
AUGUST 30 TO OCTOBER 31, 2009

ACTION ITEM

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 10 (October 31) was 2,697,000 (-0.7%) under budget and 6,077,000 (1.6%) 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)
7	(0.9)
8	(1.1)
9	(0.4)
10	(0.4)
Year-to-date	(2.7)

For the first six periods of the year (to the end of June), ridership was essentially on target. This largely reflected positive ridership results in both January and February when the City of Toronto still had positive employment growth being followed by ridership shortfalls in the ensuing months when employment levels declined.

Ridership during period 7 was 2.6% (927,000 rides) below budget. The City strike continued throughout the entire month and the economic news was not positive with continued job losses in the City of Toronto. In period 8, both these factors continued to negatively affect ridership to the extent that ridership fell about 1.1 million rides (-3.1%) below budget.

In periods 9 and 10, ridership has been 0.9% (762,000 rides) below budget primarily due to the continued impact of employment losses. The current consensus for employment for the balance of the year is neutral to slightly negative. Even if there are no further job losses for the rest of the year, it will likely take a number of months before this impact ceases to adversely impact ridership.

Beyond the timeframe covered in this report, ridership during November (Period 11) was slightly below budget (0.4% below).

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 469 to 471 million rides, compared to the budget of 473 million. For purposes of this report, the year-end projection has been adjusted to 470 million and the average fare is forecast to remain at the year-to-date rate of \$1.78.

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	470	473	(3)
EXPENSES	\$1,300.0	\$1,298.4	\$1.6
REVENUES	(\$882.6)	(\$904.3)	(\$21.7)
SUBSIDY REQUIRED	\$417.4	\$394.1	\$23.3
SUBSIDY AVAILABLE	\$394.1	\$394.1	-
SHORTFALL	\$23.3	-	\$23.3

Passenger revenues are currently projected to be below budget due to a lower average fare (about 2¢ on a budget of about \$1.80) which has materialized as a result of higher Adult pass sales and greater than anticipated usage of concession fares and because of the 3 million fewer rides (compared to budget) carried to date. For the balance of the year, the average fare is expected to remain at its current level of about \$1.78 while ridership is anticipated to stay on target. Consequently, passenger revenues are projected to be \$17.7 million below budget.

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. Other income, largely consisting of interest income, is forecast to be about \$1.3 million under budget primarily due to lower interest earnings on banked funds.

Year-end expenses are currently projected to be 0.1% (\$1.6 million) over budget largely due to increased vehicle maintenance needs (\$5.2M); activities in support of the Work Safe – Home Safe safety culture initiative and the Attendance Management program (i.e. early return-to-work accommodation) (\$4M); the requirement for more service resulting from City construction activities (\$2.2M); additional overtime requirements due to higher than anticipated workforce gapping, service maintenance backlog and operating in severe winter conditions (\$1.4M); and unbudgeted emergency flood and mould remediation and restoration work required in the Inglis Building (\$1.3M). These increases have been significantly offset by lower hydro and natural gas rates and, to a lesser extent, reduced water consumption (\$4.9M); planned bus service reductions and vehicle fuel savings (\$4.2M); other employee cost reductions primarily due to improved attendance and safety performance resulting from various initiatives currently underway (\$2M); and higher bus repair warranty recoveries (\$1.4M).

Overall, a \$23.3 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. Accordingly, staff have instituted a cost containment action plan which entails, but is not limited to, the following measures:

- the non-introduction of some planned service improvements in the Fall (and subsequent deferral to mid 2010) and other selective service cancellations, where permissible;
- a curtailment of overtime work;
- a comprehensive review of the hiring and training plans for new Operators; and
- a thorough reassessment of all discretionary expenses, on a department by department basis, for the balance of the year.

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 ten periods of 2009, the subway and the SRT mainly performed as expected. Overall, service performance levels for the Bloor-Danforth Line are on target due to good incident management while the Yonge-University-Spadina Line performed just marginally below target. 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 improvements in on-time performance on the majority of large routes as proactive measures continue to be taken in order to mitigate service disruptions caused by ongoing construction and City events.

Customer Satisfaction Results

Over the first ten periods of this year, complaints increased by approximately 10% while compliments (predominantly for exceptional work by TTC employees) increased by about 7%, 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 10 and also reflects newly updated 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 \$678.6 million, representing an under expenditure of \$95.9 million. A carry forward adjustment of \$79.2 million was approved by the City Council in August 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 \$175.1 million for the base capital program as shown in the table below.

(Millions)	2009		
	ACTUAL	BUDGET	VARIANCE
APPROVED BASE PROGRAM	\$678.6	\$774.5	\$(95.9)
CITY CARRY FORWARD REQUEST		79.2	(79.2)
TOTAL ADJUSTED BASE PROGRAM	678.6	853.7	(175.1)

An under expenditure of \$36.9 million is projected on the Toronto York Spadina Subway Extension project primarily related to deferred engineering work and property acquisition. An under expenditure of \$97.6 million is now reflected for Transit City Projects, based on current projections of project work to be completed, noting that project scope and governance as well as project funding and eligibility issues are currently under review. Work continues on Federal programs for which Contribution Agreements were previously signed (in 2008) including the Canada Strategic Infrastructure Fund (CSIF), the Transit-Secure and Building Canada Fund programs, in order to fulfill project requirements for reporting and claims. The Province has also confirmed it's commitment to fund a 1/3 share of the 204 LRV cars (\$417 million) under stimulus funding, and staff are pursuing the

details of that funding with provincial staff. In early September, the federal government announced Infrastructure Stimulus Funding (ISF) for Toronto including \$64 million for 20 TTC projects and staff are currently seeking clarification with City staff on the rules and resultant impacts on that funding program. Staff continue to pursue further Provincial and Federal commitments towards long term funding assumptions, including funding for the LRV facility, commitments on 126 Subway Cars and the full funding of the Automatic Train Control system. These funding commitments would contribute towards the existing five-year funding shortfall of the base capital program.

Announcements subsequent to the 2009 Provincial budget have also resulted in additional Provincial funding commitments for expansion initiatives including the Finch West, Eglinton Cross-town and Sheppard East LRT lines (includes Federal funding under the Building Canada Fund) as well as the SRT Conversion and Expansion project.

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.

December 3, 2009
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Attachments: Appendices A, B and C