

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: JULY 9, 2009

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIODS 4 AND 5
APRIL 5 TO MAY 30, 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.

This document reports on the TTC's 2009 budgets which were approved by City Council as follows:

<u>BUDGET</u>	<u>APPROVAL DATE</u>
TTC Operating	March 31, 2009
Capital Program	December 10, 2008
Wheel-Trans Operating	March 31, 2009

RIDERSHIP RESULTS

Ridership to the end of May (Period 5) was 816,000 (0.4%) above budget and 6,018,000 (3.2%) 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)
Year-to-date	0.8

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 as 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 underestimated and there was a strong recapture of pass riders in April 2009. Ridership was essentially on budget during May.

Beyond the timeframe covered in this report, ridership during the first two weeks of June (Period 6) was 2.5% (505,000 rides) below budget. There is a lead-lag relationship between employment growth/(loss) and ridership levels, and it is very possible that the negative effects of employment declines since February are now impacting ridership. Although two consecutive weeks of ridership declines are not enough to conclude that

ridership will be trending downwards for the remainder of the year, results for the rest of June and into July must be monitored very closely and year-end estimates adjusted as required on a timely basis.

The Conference Board recently released its Spring 2009 Metropolitan Forecast that updated estimates for GDP and employment growth for the Toronto CMA. Employment is being forecast to decline by (0.8%) in 2009 which is a drop from (0.3%) in the last forecast. The most recent City of Toronto forecast (April) estimates employment loss for 2009 at (2.9%). All of the major financial institutions are also forecasting negative employment growth countrywide in 2009. The institutions also warn about the fragility of the economy and the potential for wide swings in economic performance.

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. 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	\$1,302.5	\$1,298.4	\$4.1
REVENUES	(\$894.4)	(\$904.3)	(\$9.9)
SUBSIDY REQUIRED	\$408.1	\$394.1	\$14.0
SUBSIDY AVAILABLE	\$394.1	\$394.1	-
SHORTFALL	\$14.0	-	\$14.0

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 five months of the year, passenger revenues fell about \$2.5 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 \$6 million or more for the year. Staff will continue to closely monitor these revenues.

In addition, Outside City & Charters revenues are projected to be about \$600K below budget due to lower expenses and consequently, lower cost recoveries. 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 million under budget due to lower interest earnings on banked funds due to lower interest rates. Given the recent elimination of free commuter parking effective April 1, it is still too early to project any year-end variances for commuter parking revenues.

Year-end expenses are currently projected to be 0.3% (\$4.1 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 (\$1.9M); additional overtime requirements due to higher than anticipated gapping, service maintenance backlog and operating in severe winter conditions (\$3.1M); vehicle maintenance needs (\$2.5M); an unspecified budget reduction incorporated into the budget (\$2.0M); and other changes (\$1.6M). These increases are partially offset by lower hydro and natural gas rates and reduced water consumption (\$3.2M); other employee cost reductions primarily due to improved attendance and safety performance resulting from various initiatives currently underway (\$2.0M); planned service reductions (\$1.7M); IFS Inventory/Purchasing/Accounts Payable Replacement project maintenance costs being capitalized (\$1.1M); and other various expense reductions (\$0.4M).

Overall, a \$14 million shortfall is currently projected by year-end. 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 five 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. Updates regarding the performance of bus routes and streetcar routes will be included in the next report.

Customer Satisfaction Results

Over the first five months of this year, complaints increased by approximately 15% while compliments increased by about 3%, 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 5 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 \$829.6 million, representing an over expenditure of \$55.1 million. A carry forward adjustment of \$79.2 million has been requested from the City in May 2009 to address contract delay impacts from 2008 which resulted in the deferral of approved expenditures to 2009. The result is a projected net 2009 under expenditure of \$24.1 million for the base capital program as shown in the table below.

(Millions)	2009		
	ACTUAL	BUDGET	VARIANCE
APPROVED BASE PROGRAM	\$829.6	\$724.5	\$55.1
CITY CARRY FORWARD REQUEST		79.2	(79.2)
TOTAL ADJUSTED BASE PROGRAM	829.6	853.7	(24.1)

Details of all major variances are provided in a summary provided in Appendix B. Essentially total project expenditures are tracking close to budget, apart from the \$47.1 million unspecified budget reduction.

Capital expenditure projections are currently being revisited through the 2010-2014 Capital Program budget process, under which the 2009 base program expenditures are now estimated to be \$38.7 million over budget (as compared to \$55.1 million over shown in the above table). Staff continue to review and monitor these projections with a view to ensuring that expenditures at year-end will not exceed the approved budget. While efforts are made to keep this information in line for reporting to the Commission, the information under the budget review process is updated more frequently and the presentation will be modified to reflect the recent funding announcements for a combined SRT conversion and expansion project.

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 \$9.0 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. 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.

June 24, 2009

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Attachments: Appendices A, B and C