

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** MAY 28, 2009

**SUBJECT:** CHIEF GENERAL MANAGER'S REPORT  
PERIOD 1, 2 AND 3  
JANUARY 1 TO APRIL 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.

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

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

### **RIDERSHIP RESULTS**

Ridership for the first three periods of 2009 was 633,000 (0.5%) above budget and 2,580,000 (2.2%) above the comparable period in 2008. Ridership was better 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 declined in both February and March. 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.

Beyond the timeframe covered in this report, ridership was slightly above budget (0.7%) 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.

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. 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 472 to 474 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	\$1,298.4	\$1,298.4	-
REVENUES	(\$900.3)	(\$904.3)	(\$4.0)
SUBSIDY REQUIRED	\$398.1	\$394.1	\$4.0
SUBSIDY AVAILABLE	\$394.1	\$394.1	-
SHORTFALL	\$4.0	-	\$4.0

**Passenger revenues** are currently projected to be about \$2 million below budget due to higher Adult pass sales and increased usage of concession fares than anticipated, both of which reduced the overall average fare. To the end of the first three months of the year, passenger revenues fell about \$1.7 million below budget for this reason and, after incorporating April's results, that unfavourable variance grew to approximately \$2 million. For the time being, the year-end forecast has been pegged at this level. However, it is possible that the average fare could continue to decline and this may result in further passenger revenue declines in the order of several more millions of dollars. Staff will continue to closely monitor these revenues.

In addition, **advertising revenues** are expected to fall short of the budget by approximately \$2 million as a result of the current economic situation and its impact on advertising sales activity. 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 on target on a net basis.

Overall, a **\$4 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.

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

### Service Related Results

For the first three 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 weather and operator shortages. The performance of bus routes continued to improve from 2008 year-end results with better headway adherence and reductions in the number of cancelled runs. Performance on streetcar routes showed similar improvements and the 501 Queen Street route, in particular, continued to show favourable results with significant reductions in short turns.

### Customer Satisfaction Results

Over the first three months of this year, complaints increased by approximately 22% while compliments declined by about 4%, over the comparable period last year. The biggest increase in complaints related to the advertising of atheist ads and the elimination of free parking at the commuter parking lots.

### 2009 TTC CAPITAL PROGRAM BUDGET

Appendix B contains a table that shows actual 2009 expenditures based on results available to Period 3 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 \$873.4 million, representing an over expenditure of \$98.9 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 net 2009 over variance of \$19.7 million for the base capital program.

The primary drivers of this \$98.9 million variance are outlined in the table below and details of all major variances are provided in a summary provided in Appendix B.

(Millions)	2009		
	ACTUAL	BUDGET	CHANGE
<b>TOTAL CAPITAL</b>	\$873.4	\$774.5	\$98.9
<b>SURFACE TRACK</b>	43.4	36.1	7.3
<b>SIGNAL SYSTEMS</b>	50.9	42.5	8.4
<b>COMPUTER EQUIP. &amp; SOFTWARE</b>	32.5	19.9	12.6
<b>UNSPECIFIED BUDGET REDUCTION</b>		(47.1)	47.1
<b>OTHER PROJECTS</b>	746.6	723.1	23.5

Surface Track – Mainly due to slippage into 2009 for St. Clair West – City's water main work will result in the completion of Vaughan to Westmount in 2009.

Signal Systems – Mainly due to ATO YUS Resignalling contract award for the Computer Based Interlocking (CBI) Signal System delayed to 2009.

Computer Equip. & Software – Mainly reflects acceleration of CIS – SOGR and Next Vehicle project work into 2009 as well as cost increases on the Accounts Payable and Wheel Trans SOGR projects.

An under expenditure of \$41.4 million is projected on the Toronto York Spadina Subway Extension project primarily related to deferred engineering work and property acquisition. An under expenditure of \$5.1 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 still 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 such as Finch West, Eglinton Cross-town, the SRT and the Sheppard East project. Further Provincial and Federal commitments towards long term funding assumptions are still being pursued on the 204 LRV car and LRV facility (Provincial and Federal) and the 126 subway car projects (Federal only), including funding through Infrastructure Stimulus Fund program. If these commitments materialize, and if the province pays an additional 1/3 share of the LRV costs, the current projected five-year funding shortfall of approximately \$1.5 billion

would essentially 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 assessing the implications of the PST rebate on the capital projects.

The following table lists items which have been put forward for Commission approval outside of the annual capital budget process, and which are reflected in the projected year-end results contained in this report:

<b>UNBUDGETED ITEMS APPROVED TO DATE</b>	<b>AMOUNT (\$Millions)</b>	<b>CHANGE IMPACT</b>	<b>COMMISSION APPROVAL</b>
Kipling Station Redevelopment	1.200	Cost increase – accommodate USBR, seeking Metrolinx funding	April 3, 2009
T1 Motor Casting	2.000	Scope change – accommodate USBR	February 18, 2009
Surface Track – Church Street	1.400	Cost increase – accommodate within	May 28, 2009 (pending)

**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.

May 20, 2009

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Attachments: Appendices A, B and C