

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** JULY 14, 2010

**SUBJECT:** CHIEF GENERAL MANAGER'S REPORT  
PERIODS 3, 4 & 5  
FEBRUARY 28 TO MAY 29, 2010

## ACTION ITEM

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### RECOMMENDATION

It is recommended that the Commission:

- (1) forward a copy of this report to (a) each City of Toronto Councillor and (b) 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; and
- (2) as a result of ridership on both the conventional system and Wheel-Trans systems being well above targeted levels, and given that the service reductions budgeted for the conventional system were re-instated by the Commission earlier this year leaving a current year-end surplus projection of \$18.6 million on that budget, the Commission approve up to an additional \$2.7 million in net expenditures to accommodate the increased Wheel-Trans ridership at the 2% unaccommodated rate.

### 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 will also include a summary of unbudgeted expenses if and when they are approved by the Commission.

### RIDERSHIP RESULTS

Ridership to the end of Period 5 (May 29) was 5,619,000 (+3.0%) above budget and 1,670,000 (+0.9%) above the comparable period in 2009. Year-to-date ridership variances, by period, are summarized on the following table.

PERIOD	RIDERSHIP VARIANCE FROM BUDGET (Millions)
1	1.2
2	0.8
3	1.1
4	1.4
5	1.1
Year-to-date	5.6

The projection for 2010 is 469 million rides, 7 million more than the budgeted ridership level of 462 million. The reason for the positive year-to-date ridership result is largely due to the service increases implemented in 2008 as part of the TTC's Ridership Growth Strategy. The resultant amount of service is the highest level the TTC has ever operated.

In previous CGM Reports, the historical relationship of City of Toronto employment levels being one of the most significant variables in determining TTC ridership was highlighted. Over the long-term, changes in City of Toronto employment levels track quite closely to TTC ridership changes. However, starting in 2009, City of Toronto employment started to drop, but TTC ridership continued to grow. Employment and ridership results for the past 6 months are shown below:

	<u>EMPLOYMENT CHANGE</u>	<u>RIDERSHIP CHANGE</u>
December	(2.8%)	+ 2.2%
January	(2.4%)	+ 1.1%
February	(1.7%)	0.0%
March	(1.4%)	+ 0.2%
April	(4.7%)	+ 2.1%
May	(3.5%)	+ 1.2%

It should be noted that while the favourable 5.6 million ridership variance to date is fast approaching the current year-end projection of an additional 7 million rides, at the time of the preparation of this report, the impacts of two future critical events, namely the G20 Summit and the introduction of the Post-Secondary Student monthly pass in September are indeterminable. Staff will closely monitor the effect of each of these events on TTC's ridership and revenue and will adjust the year-end projection accordingly.

## **FINANCIAL RESULTS**

### **2010 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)	2010		
	PROJECTION	BUDGET	CHANGE
<b>RIDERSHIP</b>	469	462	7
<b>EXPENSES</b>	\$1,368.7	\$1,370.9	(\$2.2)
<b>REVENUES</b>	(\$957.5)	(\$941.1)	\$16.4
<b>SUBSIDY REQUIRED</b>	\$411.2	\$429.8	(\$18.6)
<b>SUBSIDY AVAILABLE</b>	\$429.8	\$429.8	-
<b>SURPLUS</b>	\$18.6	-	\$18.6

Passenger revenues are currently expected to exceed budget by \$17.2 million primarily based on the projection of 7 million more passengers than budgeted. As previously noted in this report, the impact of the G20 Summit and the introduction of the Post-Secondary Student monthly pass in September will be closely monitored and the TTC's year-end ridership and passenger revenue projections will be adjusted appropriately. The next CGM Report will include the impact of the G20 Summit.

Year-end expenses are currently projected to be 0.2% (\$2.2 million) under budget largely due to the following unbudgeted expenditures:

(1) the Commission's May 6, 2010 directive that, effective September 2010, the service cuts made in March 2010 be reinstated, the cancellation of scheduled service cuts in September 2010 and the addition of an extra peak period train on the Bloor-Danforth subway line for a total estimated cost of \$2.9 million in 2010; and

(2) the Commission's June 2, 2010 directive regarding the addition of 34 temporary personnel and related materials to initiate a station cleaning blitz from July to the end of the year that will result in a thorough cleaning of every station, including bus bays and that staff undertake research on international best practices on the branding and marketing of special premium-quality services such as those envisioned in the Transit City Bus Plan for a total estimated cost of \$0.9 million.

being more than offset by expenditure reductions related to:

- (1) the abolishment of a Canada Pension Plan tax liability associated with Long-Term Disability payments as a result of a favourable Federal Court of Appeal decision rendered earlier this year;
- (2) lower than anticipated diesel fuel consumption rates and prices;
- (3) unfilled positions; and
- (4) lower than expected natural gas rates.

Overall, an \$18.6 million surplus is currently projected by year-end.

### **Service Related Results**

For the first five periods of 2010, overall **subway** service headway performance levels for both the Bloor-Danforth and the Yonge-University-Spadina lines are slightly better than target due to good incident management. However, both uncontrollable (customer related illness and security incidents) and controllable (related to equipment failures and operators) delays exceeded target. The performance of **bus routes** has improved over 2009 year-end results with better headway adherence and reductions in the number of run cancellations. These results are demonstrative of successful ongoing route management initiatives. In addition, **streetcar routes** showed improvements in on-time performance on the majority of large routes as proactive measures continue to be taken.

### **Customer Satisfaction Results**

Over the first five periods of this year, complaints increased by approximately 9%, while compliments (predominantly for exceptional work of TTC employees) increased by 78% as compared to the comparable period last year. The extensive media coverage of TTC customer service issues likely prompted more customers to contact TTC to offer their feedback. The increase in complaints was primarily related to instances of discourtesy, bypassing of patrons, vehicle operation and subway delays.

### **2010 TTC CAPITAL PROGRAM BUDGET**

Appendix B contains a table that shows actual 2010 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 \$912.4 million for the base capital program on December 8, 2009. Current projected 2010 expenditures for the base program are \$ 984.3 million, representing an over expenditure of \$71.9 million. With a pending City carry forward adjustment from 2009 of \$103 million (subject to City Council approval), this would result in a projected 2010 under spending of about \$31 million.

An over expenditure of \$39.7 million is projected on the Toronto York Spadina Subway Extension project primarily related to prior year slippage of Engineering and Geotechnical Work. An under expenditure of \$ 35.8 million is projected on the Transit City Projects primarily related to prior year slippage offset by deferred project activities to future years.

Work continues on Federal programs for which Contribution Agreements were previously signed (in 2008) including the Canada Strategic Infrastructure Fund (CSIF) and Building

Canada Fund programs, in order to fulfill project requirements for reporting and claims. The Province has also confirmed its 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 \$60 million for 19 TTC projects and staff are currently seeking clarification with City staff on the rules and resultant impacts on that funding 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 projects.

However, in its March 25, 2010 provincial budget, the Provincial government announced that it would work with Metrolinx to phase the construction of transit projects which would result in approximately \$4 billion in appropriation savings and reduced borrowing over the next five years.

The March 25, 2010 Provincial budget also announced the cancellation of the Ontario Bus Replacement program, effective immediately, a program which was implemented in 2007. They have committed to pay its outstanding obligations to the City for 2008 and 2009 as well as to provide funds for the 2010 bus contract commitments (\$18.7 million). These payments will be made upon execution of a letter of acknowledgement in full settlement of the Province's OBRP obligations to the City.

### **2010 WHEEL-TRANS OPERATING BUDGET**

Appendix C shows the Wheel-Trans Income Statement and reflects the \$82.7 million subsidy level approved by City Council. Based on results to date, it is estimated that demand for trips will exceed the budget by about 12%. In order to satisfy this level of demand at the 2% unaccommodated rate, additional unbudgeted net expenditures in the order of \$2.7 million, after accounting for savings in equipment maintenance and fuel, will be required. Alternatively, it should be noted that in order to maintain the approved subsidy level, the unaccommodated rate would have to be increased to almost 9% for the second half of the year.

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22 June 2010  
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Attachments: Appendices A, B and C