

# TORONTO TRANSIT COMMISSION REPORT NO.

**MEETING DATE:** MARCH 24, 2010

**SUBJECT:** CHIEF GENERAL MANAGER'S REPORT  
PERIODS 11 & 12  
NOVEMBER 1 TO DECEMBER 31, 2009

## **ACTION ITEM**

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### **RECOMMENDATION**

It is recommended that the Commission:

1. approve the offsetting of the \$0.286 million subsidy shortfall for the 2009 TTC Operating Budget with the \$0.592 million subsidy surplus for the 2009 Wheel-Trans Operating Budget, for a net subsidy surplus of \$0.306 million; and
2. 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. Consistent with past practice, this detailed CGM's Report is presented here as a full account of the activities for 2009. It should be noted that the revenue, expense and subsidy amounts shown for 2009 are preliminary and subject to audit. The final 2009 audited financial statements are scheduled to be presented to the TTC Audit Committee on April 13, 2010.

### **RIDERSHIP RESULTS**

As reported to the Commission in January of this year, 2009 ridership reached an all-time high at 471.2 million rides. These results were 4.5 million (1%) above the 2008 results but fell short of the 2009 budget by approximately 1.8 million (0.4%) rides.

**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 results for ridership, expenses, revenues and subsidy requirements.

	2009		
(Millions)	ACTUAL	BUDGET	CHANGE
<b>RIDERSHIP</b>	471.2	473	(1.8)
<b>EXPENSES</b>	\$1,280.7	\$1,298.4	(\$17.7)
<b>REVENUES</b>	(\$886.3)	(\$904.3)	(\$18.0)
<b>SUBSIDY REQUIRED</b>	\$394.4	\$394.1	\$0.3
<b>SUBSIDY AVAILABLE</b>	\$394.1	\$394.1	-
<b>SHORTFALL</b>	\$0.3	-	\$0.3

The year-end shortfall of \$0.3 million reflects \$18 million in lower revenues almost completely offset by \$17.7 million in reduced expenses.

The reduced expenses totalling \$17.7 million mainly related to \$12.2 million in lower energy costs experienced largely due to lower than anticipated rates which were driven down by demand destruction in the current economic climate, and a \$9.2 million reduction in Accident Claims expenses for the year resulting from the establishment of a long-term subsidy receivable from the City for non-cash expenses analogous to the existing arrangement for post-retirement benefits non-cash expenses. Offsetting these savings were additional unbudgeted expenses of \$3.7 million for the emergency flood and mould remediation and restoration work required in the Inglis Building (\$1.3M), the requirement for more service resulting from City construction activities (\$2.2M) and all other net changes (\$0.2M).

The lower revenues of \$18 million consisted of \$16.9 million less in passenger revenues due to a lower than anticipated average fare (\$13.7M), 1.8 million fewer rides compared to budget (\$3.2M) and lower than budgeted other revenues (\$1.1M) largely reflecting lower interest earnings.

Overall, the 2009 subsidy requirement marginally exceeded the budgeted level by \$0.286

million (0.07%). The Wheel-Trans operating subsidy surplus (explained later in this report) is more than sufficient to accommodate this shortfall.

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.

<b>UNBUDGETED ITEMS APPROVED TO DATE</b>	<b>AMOUNT \$Millions</b>	<b>COMMISSION APPROVAL</b>
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
Security Services	0.620	December 16, 2009

### **Service Related Results**

In 2009, the **subway and the SRT** mainly performed marginally below target due to an increase in uncontrollable incidents, such as customer-related illness, security incidents and emergencies at track level. The performance of **bus routes** was marginally below 2008 results reflecting slightly reduced rates of headway adherence, in part, due to the adverse impact of continued construction projects and traffic congestion. **Streetcar routes** showed improvements in on-time performance on the majority of large routes and the number of cancelled runs has decreased by about 1/3 from 2008 levels.

### **Customer Satisfaction Results**

Compared to 2008, the year 2009 saw complaints increase by about 15% while compliments (predominantly for exceptional work by TTC employees) increased by over 8%. Three key factors (accounting for approximately one-third of the increase each) associated with the increase in complaints were: the fare increase and related token restrictions, controversial proposed advertising campaigns and complaints regarding service delivery. Service delivery complaints included concerns regarding bypassing of patrons, surface delays, vehicle operation and discourtesy which were consistent with deteriorating traffic congestion prevalent in the City and overcrowding conditions on some routes.

### **2009 TTC CAPITAL PROGRAM BUDGET**

Appendix B contains a table that shows actual 2009 expenditures (un-audited) for the TTC's capital projects. City Council approved an overall budget of \$769.4 million for the base capital program on December 10, 2008. The year-end 2009 expenditures for the base program were \$642.4 million, representing an under expenditure of \$127 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 net 2009 under expenditure of \$206.2 million for the base capital program as shown in the table below.

<b>(Millions)</b>	<b>2009</b>		
	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>
<b>APPROVED BASE PROGRAM</b>	\$642.4	\$769.4	\$(127.0)
<b>CITY CARRY FORWARD REQUEST</b>		79.2	(79.2)
<b>TOTAL ADJUSTED BASE PROGRAM</b>	642.4	848.6	(206.2)

An under expenditure of \$36.5 million on the Toronto York Spadina Subway Extension project primarily related to deferred engineering work and property acquisition. An under expenditure of \$109.2 million is now reflected for Transit City Projects, 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 reports a 2009 operating budget subsidy requirement which is \$0.592 million (0.8%) under budget. These results largely reflect the combination of increased ridership of 123,000 and a higher average fare and reduced accident claims expenses for the year resulting from the establishment of a long-term subsidy receivable from the City for related non-cash expenses being partially offset by higher service cost to handle the increased ridership level.

March 10, 2010

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Attachments: Appendices A, B and C