

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: MAY 6, 2010

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIODS 1 & 2
JANUARY 1 TO FEBRUARY 27, 2010

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

This document reports on the TTC's 2010 budgets which were approved by City Council as follows:

<u>BUDGET</u>	<u>APPROVAL DATE</u>
TTC Operating	April 15, 2010
Capital Program	December 8, 2009
Wheel-Trans Operating	April 15, 2010

RIDERSHIP RESULTS

Ridership to the end of Period 2 (February 27) was 2,046,000 (+ 2.8%) above budget and 400,000 (+0.5%) 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
Year-to-date	2.0

Notwithstanding a deep global economic recession and a fare increase implemented January 3, 2010, ridership so far this year has done remarkably well and has surpassed expectations. The projection for 2010 is 469 million rides, 7 million more than the budgeted ridership level of 462 million. The reasons for the positive year-to-date ridership results and the higher than budgeted projection can be attributed to the following reasons:

- The TTC's ability to ride out this recession has been largely due to 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. Historically, one of the most significant variables in determining TTC ridership is the City of Toronto employment levels. 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. That trend has continued in 2010, despite the fare increase. The best explanation for this divergence from the traditional relationship is the higher levels of service being operated. Employment and ridership results for the past 4 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%

- The 2010 winter weather has been unusually mild with much less snow than the norm and has also likely contributed to the better ridership results for the first two months of 2010.

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
RIDERSHIP	469	462	7
EXPENSES	\$1,367.7	\$1,370.9	(\$3.2)
REVENUES	(\$957.5)	(\$941.1)	16.4
SUBSIDY REQUIRED	\$410.2	\$429.8	(\$19.6)
SUBSIDY AVAILABLE	\$429.8	\$429.8	-
SURPLUS	\$19.6	-	\$19.6

Passenger revenues are currently projected to exceed budget by \$17.2 million primarily as a result of 7 million more passengers than budgeted and, to a lesser extent, from lower fare increase hoarding losses than originally anticipated.

In addition, **Outside City revenues** are expected to fall short of the budget by approximately \$0.8 million as a result of York Region's decision to no longer contract TTC to operate service along its portion of the Don Mills route.

Year-end **expenses** are currently projected to be 0.2% (\$3.2 million) under budget largely due to the abolishment of a Canada Pension Plan tax liability associated with Long-Term Disability payments as a result of a recent favourable Federal Court of Appeal decision.

Overall, a **\$19.6 million surplus** is currently projected by year-end.

Service Related Results

For the first two 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 (equipment failures and operator irregularities) 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 two periods of this year, complaints increased by approximately 9% while compliments (predominantly for exceptional work of TTC employees) nearly doubled, 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 positive feedback (and support) regarding their interaction with TTC employees. At the same time, the largest increase in complaints related to incidents of employee discourtesy and vehicle operation.

2010 TTC CAPITAL PROGRAM BUDGET

Appendix B contains a table that shows actual 2010 expenditures based on results available to Period 2 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 08, 2009. Current projected 2010 expenditures for the base program are \$1,067.7 million, representing an over expenditure of \$155.3 million.

An over expenditure of \$43.4 million is projected on the Toronto York Spadina Subway Extension project primarily related to prior year slippage.

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. 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 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 specific impact of this plan on the four approved Transit City projects is not determinable at this time.

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. At this time, there are no significant budget variances projected for year-end.

15 April 2010
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Attachments: Appendices A, B and C