TORONTO TRANSIT COMMISSION
REPORT NO.

MEETING DATE: SEPTEMBER 30, 2010

SUBJECT: CHIEF GENERAL MANAGER'S REPORT
PERIODS 6 & 7
MAY 30 TO JULY 31, 2010

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission 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.

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.

RIDERSHIP RESULTS

Ridership in Period 7 (July) was 1,593,000 (+4.6%) above budget and 948,000 (+2.7%) above the comparable period in 2009. Year-to-date (to July 31) 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
6	1.5
7	1.6
Year-to-date	8.7

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 have historically tracked quite closely to TTC ridership changes. However, starting in 2009, City of Toronto employment started to drop, but TTC ridership continued to grow. Just in the past two months have employment levels reflected growth over the same periods in 2009. Employment and ridership results for the past 8 months are shown below:

	EMPLOYMENT CHANGE	RIDERSHIP CHANGE
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%
June	+0.7%	+1.5%
July	+2.6%	+2.7%

Riders are likely being more cautious about personal spending and undoubtedly, this has contributed to these very favourable ridership results. So too have the large service improvements implemented in late 2008 prompted this growth in ridership as the service on the street much more closely matches the service hours of the subway, giving riders far more choice in transit options. Assuming the continuation of this favourable trend, the current ridership projection for 2010 is 476 million. This represents an anticipated increase of 3% or 14 million rides over the budgeted level of 462 million.

One other critical event which may impact the ridership (and passenger revenues) for the balance of the year relates to the introduction of the Post-Secondary Student monthly pass which was launched in August. Staff continue to closely monitor its effect on TTC's ridership and revenue and will adjust the year-end projections accordingly.

It should be noted that the June results reflect the loss of an estimated 658,000 rides due to the G20 Summit.

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.

	2010		
(Millions)	**PROJECTION**	**BUDGET**	**CHANGE**
RIDERSHIP	476	462	14
EXPENSES	$1,361.6	$1,370.9	($9.3)
REVENUES	($975.5)	($941.1)	$34.4
SUBSIDY REQUIRED	$386.1	$429.8	($43.7)
SUBSIDY AVAILABLE	$429.8	$429.8	-
SURPLUS	$43.7	-	$43.7

Passenger revenues are currently expected to exceed budget by $34.4 million primarily due to the anticipated 14 million more passengers than budgeted and lower token hoarding losses experienced earlier in the year. It should be noted that this revenue projection is subject to change as a result of the impact of the introduction of the Post-Secondary Student monthly pass which staff continues to monitor. If required, an adjustment to the year-end ridership and passenger revenue projections will be reflected in a future CGM Report.

Year-end **expenses** are currently projected to be 0.7% ($9.3 million) under budget largely due to lower than expected diesel fuel and natural gas prices so far this year. This is offset partially by 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.

It should be noted that unbudgeted expenses totalling about $1.2 million were incurred as a result of the G20 Summit. The Commission is seeking a reimbursement of these costs from the Toronto Police Services and the Federal government.
Overall, a **$43.7 million surplus** is currently projected 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
Service level changes to address increased ridership	2.900	May 6, 2010
Station Manager Deployment program	Self-funded	May 6, 2010
Specialized legal, financial and other consultant services related to TTC – Office Consolidation	0.500	May 6, 2010
Station Cleaning Blitz – July to Dec 31/10	0.800	June 2, 2010
Research on international best practices on premium-quality bus services	0.100	June 2, 2010

Service Related Results

For the first seven 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, security incidents and G20 Summit activities) and controllable (related to equipment and track related delays and operator irregularities) delays exceeded target. While the performance of **bus routes** has improved over 2009 year-end results in terms of better headway adherence and fewer run cancellations, headway adherence fell short of current target. On the other hand, **streetcar routes** showed improvements in on-time performance on the majority of large routes as proactive measures continue to be taken.

Customer Satisfaction Results

To the end of July, complaints increased by approximately 15%, while compliments (predominantly for exceptional work of TTC employees) increased by 71% 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 service delays, discourtesy, vehicle operation and bypassing of patrons.

2010 TTC CAPITAL PROGRAM BUDGET

Appendix B contains a table that shows actual 2010 expenditures based on results available to Period 7 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 $934.6 million, representing an over expenditure of $22.2 million. A carry forward adjustment of $102.6 million was approved by the City Council in August 2010 to address those contract delay impacts from 2009 that resulted in the deferral of approved expenditures to 2010. The result is a projected net 2010 under expenditure of $80.4 million for the base capital program as shown in the table below.

	2010		
(Millions)	**ACTUAL**	**BUDGET**	**VARIANCE**
APPROVED BASE PROGRAM	$934.6	$912.4	$22.2
CITY CARRY FORWARD REQUEST		102.6	(102.6)
TOTAL ADJUSTED BASE PROGRAM	934.6	1015.0	(80.4)

An over expenditure of $22.0 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 $ 137.5 million is projected on the Transit City and SRT 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 including the Canada Strategic Infrastructure Fund (CSIF) and Building Canada Fund programs and Infrastructure Stimulus Funding (ISF) for Toronto, 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. Further Provincial and Federal commitments are required towards long term funding assumptions, and staff regularly bring these to the attention of government representatives. These funding commitments would contribute towards the existing five-year funding shortfall of the base capital program.

The Province through Metrolinx previously approved (spring 2009) Transit City expansion initiatives including the Finch West, Eglinton Cross-town and Sheppard East (includes Federal funding under the Building Canada Fund) LRT lines 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. This plan results in a modified implementation timing of the approved lines and an indefinite deferral of the unapproved lines, for which Envionrmental Assessment work is currently being undertaken by the TTC and the City.

The Provincial budget also announced the cancellation of the Ontario Bus Replacement program, effective immediately, a progam which was implemented in 2007. The Province has paid 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).

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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September 13, 2010
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Attachments: Appendices A, B and C